

CYBERLUX CORP  
Form 10-K  
May 10, 2010

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

- ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2009

Commission file number 000-33415

CYBERLUX CORPORATION  
(Exact name of registrant as specified  
in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

91-2048978  
(I.R.S. Employer  
Identification No.)

4625 Creekstone Drive, Suite 130  
Research Triangle Park  
Durham, North Carolina  
(Address of principal executive offices)

27703  
(zip code)

Issuer's Telephone Number: (919) 474-9700

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

Securities registered under Section 12(g) of the Exchange Act:  
Common Stock, \$.001 par value

(Title if Class)

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained

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herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to Form 10-K.

Yes  No  Delinquent filers are disclosed herein.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated filer     Non-accelerated filer     Accelerated filer     Smaller reporting company

Total revenues for Fiscal Year 2009 were \$121,892, with an unfulfilled order backlog of \$203,639.

The aggregate market value of the Common Stock held by non-affiliates (as affiliates are defined in Rule 12b-2 of the Exchange Act) of the registrant, computed by reference to the average of the high and low price on May 5, 2010, was \$1,509,579.

As of May 5, 2010 there were 15,095,789,033 shares of issuer's common stock outstanding.

Transitional Small Business Disclosure Format (check one): Yes  No

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CYBERLUX CORPORATION  
ANNUAL REPORT ON FORM 10-K  
For the Fiscal Year Ended December 31, 2009

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This Form 10-K contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are necessarily based on certain assumptions and are subject to significant risks and uncertainties. These forward-looking statements are based on management's expectations as of the date hereof, and the Company does not undertake any responsibility to update any of these statements in the future. Actual future performance and results could differ from that contained in or suggested by these forward-looking statements as a result of factors set forth in this Form 10-K (including those sections hereof incorporated by reference from other filings with the Securities and Exchange Commission), in particular as set forth in the "Management's Discussion and Analysis and Results of Operation" under Item 6.

In this Form 10-K references to "Cyberlux", "the Company", "we," "us," and "our" refer to Cyberlux Corporation.

## PART I

### ITEM 1 . DESCRIPTION OF BUSINESS

#### OVERVIEW

We are principally devoted to designing, developing 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 solid-state diodal illumination (TM) that demonstrate added value over traditional lighting systems. Using proprietary technology, we are creating a family of products including portable illumination systems for military and Homeland Security, retail products, commercial task and accent lighting, emergency and security lighting. We believe our solid-state lighting technology offers extended light life, greater energy efficiency and greater overall cost effectiveness than other existing forms of illumination. Our business model is to address the large lighting industry market segments with solid-state lighting products and technologies, including our proprietary hybrid lighting technology, that includes military and Homeland Security applications, direct and indirect task and accent lighting applications, indoor/outdoor down-lighting applications, commercial and residential lighting applications..

For the military and Homeland Security portable illumination products, our target markets include all branches of the military and all government organizations providing homeland security services, such as border control and airport security. For our retail products, our target customers include the home improvement and consumer goods retailers and name-brand companies that we would supply products to as the original equipment manufacturer.

#### REGULATION

Our advertising and sales practices concerning our products 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 portable illumination system and new 2009 commercial product lines during the next twelve months. In addition, we will continue to incur research and development expenditures in connection with the commercialization of our Hybrid Lighting Technology.



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

We currently have 13 full time employees and eight firms acting as sales and business development agents. 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 believe that our relations with our employees are good.

#### ITEM 2. DESCRIPTION OF PROPERTY

We maintain our principal office at 4625 Creekstone Drive, Suite 130, 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 7,472 square feet of office space. The lease expires on December 31, 2012. The monthly rent is \$5,000, 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. We maintain websites at [www.cyberlux.com](http://www.cyberlux.com) and [www.luxSel.com](http://www.luxSel.com). The information contained on those websites is not deemed to be a part of this annual report.

#### ITEM 3. 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 December 11, 2009, Cyberlux Corporation reached a resolution of its litigation with the NIR Group, Ltd. and its affiliates.

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

None.

## PART II

## ITEM 5. 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 (\$) |
|----------------|----------|----------|
| 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     |
| 2005           |          |          |
| First Quarter  | 0.07     | 0.02     |
| Second Quarter | 0.20     | 0.05     |
| Third Quarter  | 0.15     | 0.05     |
| Fourth Quarter | 0.15     | 0.06     |
| 2006           |          |          |
| First Quarter  | 0.12     | 0.06     |
| Second Quarter | 0.08     | 0.06     |
| Third Quarter  | 0.07     | 0.04     |
| Fourth Quarter | 0.05     | 0.02     |
| 2007           |          |          |
| First Quarter  | 0.04     | 0.01     |
| Second Quarter | 0.02     | 0.01     |
| Third Quarter  | 0.0083   | 0.0021   |
| Fourth Quarter | 0.037    | 0.0195   |
| 2008           |          |          |
| First Quarter  | 0.0215   | 0.021    |
| Second Quarter | 0.129    | 0.0048   |
| Third Quarter  | 0.009    | 0.0021   |
| Fourth Quarter | 0.042    | 0.003    |
| 2009           |          |          |
| First Quarter  |          | 0.001    |

|                    |        |        |
|--------------------|--------|--------|
|                    | 0.0045 |        |
| Second Quarter     | 0.0035 | 0.001  |
| Third Quarter      | 0.001  | 0.0009 |
| Fourth Quarter     | 0.0009 | 0.0002 |
| 2010               |        |        |
| First Quarter      | 0.0004 | 0.0001 |
| Second Quarter (1) | 0.0002 | 0.0001 |

(1) As of May 5, 2010



## DESCRIPTION OF SECURITIES

### Common Stock

We are authorized to issue up to 20,000,000,000 shares of common stock, par value \$.001. As of May 05, 2010, there were 15,095,789,033 shares of common stock 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 non-assessable.

### Preferred Stock

Our Articles of Incorporation authorize the issuance of 100,000,000 shares of preferred stock, \$.001 par value per share, the designation and rights of which are to be determined by our Board of Directors. Our Board of Directors has authority, without action by the shareholders, to issue all or any portion of the authorized but unissued preferred stock in one or more series and to determine the voting rights, preferences as to dividends and liquidation, conversion rights, and other rights of such series. We consider it desirable to have preferred stock available to provide increased flexibility in structuring possible future acquisitions and financing and in meeting corporate needs which may arise. If opportunities arise that would make desirable the issuance of preferred stock through either public offering or private placements, the provisions for preferred stock in our Articles of Incorporation would avoid the possible delay and expense of a shareholder's meeting, except as may be required by law or regulatory authorities. Issuance of the preferred stock could result, however, in a series of securities outstanding that will have certain preferences with respect to dividends and liquidation over the common stock which would result in dilution of the income per share and net book value of the common stock.

Issuance of additional common stock pursuant to any conversion right which may be attached to the terms of any series of preferred stock may also result in dilution of the net income per share and the net book value of the common stock. The specific terms of any series of preferred stock will depend primarily on market conditions, terms of a proposed acquisition or financing, and other factors existing at the time of issuance. Our Board of Directors may issue additional preferred stock in future financing, but has no current plans to do so at this time. The issuance of Preferred Stock could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock.

As of May 6, 2010, we had 26.9806 shares of our Series A Convertible Preferred Stock issued and outstanding. Each share is convertible into 50,000 shares of common stock. The Series A Convertible Preferred have the following designations and rights:

Maturity: Perpetual Preferred

Dividend: 12% per annum. The dividend shall be payable semi-annually in cash or common stock at our option.

Fixed Conversion Price: The Series A Convertible Preferred shall be convertible into common stock at \$0.10 per share.

Conversion

Price:

\$5,000 per share

Stated  
Value:

Mandatory Conversion: Beginning 180 days from the effective date of a registration statement, if the closing bid price for our common stock exceeds \$1.50 for a period of 10 consecutive trading days, we have the right to force the holders to convert the Series A Convertible Preferred into common stock at the applicable conversion price.

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**Limitations** Each holder of the Series A Convertible Preferred shares shall not convert the shares into common stock on such that the number of shares of common stock issued after the conversion would exceed, when aggregated with all other shares of common stock owned by such holder at such time, in excess of 4.99% of our then issued and outstanding shares of common stock.

**No** The holders of the Series A convertible shares have no voting rights until their shares are converted to Voting common shares.  
**Rights.**

The Board of Directors, pursuant to our Articles of Incorporation and By-Laws, authorized Series B Convertible Preferred Stock which was issued to officers and directors in order to convert accrued management fees and other liabilities into shares of the Series B Preferred Stock. The Series B Convertible Preferred Stock has the following designations and rights:

**Term:** Perpetual Preferred

**Dividend:** 12% per annum

**Conversion:** Each share of the Series B Convertible Preferred Stock may be converted to 10 shares of our common stock at the option of the bearer.

**Voting** Except with respect to transactions upon which the Series B Preferred stock shall be entitled to vote Rights: separately, the Series B Preferred Stock shall have superior voting rights equal to ten times the number of shares of Common Stock such holder of Series B Preferred Stock would receive upon conversion of such holder's shares of Series B Preferred Stock. The conversion price is \$0.10 per share.

**Series C – Convertible Preferred stock**

On November 13, 2006, the Company filed a Certificate of Designation creating a Series C Convertible Preferred Stock classification for 100,000 shares. Subsequently amended on January 11, 2007 to 700,000 shares. There are currently 150,000 Series C Convertible Preferred shares outstanding.

**Term:** Perpetual Preferred

**Dividend:** 5% per annum

**Conversion:** The shares of the Series C Preferred are convertible, at the option of the holder into common shares one year from issuance.

**No** The holders of the Series A convertible shares have no voting rights until their shares are converted to Voting common shares.  
**Rights.**

**Common stock**

**Options**

There are currently options outstanding that have been issued to our officers and directors to purchase 276,952,307 shares of our common stock.



### Penny Stock Regulation.

Shares of our common stock are subject to rules adopted by the Securities and Exchange Commission that regulate broker-dealer practices in connection with transactions in “penny stocks.” Penny stocks are generally equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in those securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, deliver a standardized risk disclosure prepared by the Securities and Exchange Commission, which contains the following:

- A description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- A description of the broker’s or dealer’s duties to the customer and of the rights and remedies available to the customer with respect to violation to such duties or other requirements of securities’ laws;
- A brief, clear, narrative description of a dealer market, including “bid” and “ask” prices for penny stocks and the significance of the spread between the “bid” and “ask” price;
  - A toll-free telephone number for inquiries on disciplinary actions;
- Definitions of significant terms in the disclosure document or in the conduct of trading in penny stocks; and
- Such other information and in such form (including language, type, size and format), as the Securities and Exchange Commission shall require by rule or regulation.

Prior to effecting any transaction in a penny stock, the broker-dealer also must provide the customer the following:

- The bid and offer quotations for the penny stock;
  - The compensation of the broker-dealer and its salesperson in the transaction;
- The number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- Monthly account statements showing the market value of each penny stock held in the customer’s account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity in the secondary market for a stock that becomes subject to the penny stock rules. Holders of shares of our common stock may have difficulty selling those shares because our common stock will probably be subject to the penny stock rules for an indeterminate period of time.

### Recent Sales of Unregistered Securities

On January 22, 2009, we issued to management 1,000,000 shares of our Series B Convertible Preferred stock, par value \$0.001, pursuant to a stock grant.

On April 15, 2009, Messrs. Ninneman, Ringo and Schmidt returned 5,000,000, 5,000,000 and 10,000,000 shares, respectively of our Common stock to treasury to assist the Company in its financings.

On June 5, 2009, Messrs. Ninneman, Ringo and Schmidt were issued 30,000,000 shares of our Common stock, par value \$0.001, pursuant to a stock grant.

On August 10, 2009, Messrs Ringo, Ninneman, Downing, Schmidt, and Brown were issued 3,850,000 Series B Convertible Preferred stock, par value \$0.001 pursuant to a stock grant.

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On September 21, 2009, we issued Scott Elliott 4,000,000 million shares of our common stock for services rendered.

On October 8, 2009, we issued to management and certain key employees, 72,003,674 shares of our Series B Common stock, par value \$0.001, pursuant to a stock grant.

On November 25, 2009, we issued 30,000,000 of our Common Stock, par value, \$0.001, pursuant to a debt purchase agreement.

On December 29, 2009, we issued to management 16,500,000 shares of our Series B Convertible Preferred stock, par value \$0.001, pursuant to a stock grant.

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULT OF OPERATIONS.

### Overview

We have been principally devoted to designing, developing 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 solid-state diodal illumination (TM) that demonstrate added value over traditional lighting systems. Using proprietary technology, we are creating a family of products including portable illumination systems for military and Homeland Security, retail products, commercial task and accent lighting, emergency and security lighting. We believe our solid-state lighting technology offers extended light life, greater energy efficiency and greater overall cost effectiveness than other existing forms of illumination. Our business model is to address the large lighting industry market segments with solid-state lighting products and technologies, including our proprietary hybrid technology, that includes military and Homeland Security applications, direct and indirect task and accent lighting applications, indoor/outdoor down-lighting applications, commercial and residential lighting applications..

For the military and Homeland Security portable illumination system products, our target markets include all branches of the military and all government organizations providing homeland security services, such as border control and airport security. For our retail products, our target customers include the home improvement and consumer goods retailers. In the commercial markets, our task and accent lighting products and emergency and security lighting products address the lighting needs in restaurants, 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 unit.

On March 27, 2009, we announced that we had introduced two new categories of outdoor commercial-grade lighting products, the Outdoor Area Lighting and the Outdoor Overhead Lighting, that will expand our product offering to address large emerging commercial opportunities. To capture these opportunities, we have incorporated the advanced capabilities of our military-grade LED lighting technology into a general purpose lighting product line for existing Department of Defense (DoD), Federal, state and local governments and commercial customers.

Our Outdoor Area Lighting (OAL) and the Outdoor Overhead Lighting (OOL) products deliver the most energy efficient white LED lighting for outdoor area illumination and outdoor overhead illumination commercially available. Designed to provide ideal light dispersion and illumination for outdoor areas, We have designed the OAL and OOL configurations to flexibly illuminate any outdoor area, including pathways, walkways and parking lots, where DC solar power or AC power is available.

Our Outdoor Overhead Lighting is available for general and solar street light and parking lot lighting applications and has the following operational characteristics:

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Each OOL Lighthouse illuminates a minimum 40' x 40' grid with directed light

Performs for over 50,000 hours without a lighting element replacement

System is more than 37% more energy efficiency compared to traditional lighting

Provides up to 3,000 lumens of illumination with 40 watts of 12 - 32 VDC power

Solar System Configuration: OOL Lighthouse, Solar Panel Pole Set and Batteries

Up to 4 Lighthouses per system (40, 80, 120, & 160 watts)

Mounting hardware kit including DC control in an outdoor rated box

Our Outdoor Area Lighting is designed as a multi-use general lighting product for broad area lighting of buildings, parking garages, outdoor easements and thruways and has the following operational characteristics:

Each OAL Lighthouse illuminates a minimum 20' x 20' grid with directed light

Performs for over 50,000 hours without a lighting element replacement

System is more than 31% more energy efficiency compared to traditional lighting

System provides up to 4500 lumens of illumination from 69 watts of power

System operates on 120V / 69W

On March 31, 2009, we announced that we had introduced two categories of outdoor lighting products, Outdoor Area Lighting and Outdoor Overhead Lighting, that will expand our product offerings to the Department of Defense (DoD) agencies and also address large emerging commercial opportunities. To capture these opportunities, we along with Sacred Power Corporation, a leading provider of renewable energy solutions, have teamed to incorporate the advanced capabilities of our lighting with Sacred Power's product line for existing DoD, Federal government and commercial customers. We have received an initial order from Sacred Power for both the Overhead and Area lighting, which will be incorporated in the Sacred Power solar solutions. Sacred Power, a Native American owned and operated 8(a) certified company, specializes in solar power solutions and provides innovative renewable energy technologies to the Department of Defense (DoD), Federal government and commercial marketplace.

This joint initiative between Cyberlux and Sacred Power is the next project under the scope of the companies' prime contractor/subcontractor partnering agreement for solid-state lighting and solar power renewable energy opportunities. The first project the two companies have delivered together is a portable, solar powered visible and covert LED security lighting system for future deployment across the DoD agencies, which is now being tested and evaluated by Sandia National Laboratories on behalf of the DoD. The combination of solar power and advance lighting capabilities position both companies as leaders in the Energy, Security and Power Surety market segments.

From the macro-economic factors such as the performance of the capital markets to the micro-economic reality of the limited availability of small business credit, we, like many small companies, have had to focus on its core business opportunities and the long-term growth and prosperity of the Company, sometimes at the expense of the our short-term objectives. The financial market collapse has caused all investors, no matter what the quality of the security or the investment risk involved, to re-evaluate their investment strategies and their allocation of capital.

Management has focused on our patented LED technology knowledge and our product capability in the existing Department of Defense (DoD) Agency and Homeland Security/First Responder channels, but we have significantly changed our model from competing as the prime contractor for DoD contracts to being the supplier who supports existing prime contractors and existing contracts. In addition, Management has also significantly changed our retail product strategy to become the product innovator and supplier to large existing retail marketing companies who have the scale and capability to bring a product to market world-wide. These 'go-to-market' strategy changes are significant and have far-reaching implications for how we create value in the marketplace, how the business scales and grows, how brand equity is created and how the value in the underlying equity of the company grows.

We continue to make hard-fought progress in the marketplace. This has required drastic measures appropriate for the times and the circumstances, but, nonetheless progress has been made towards our sustainability and future growth. Management has reduced all non-essential personnel, cut all available operating costs and senior management has deferred compensation until we are stabilized and executing the new revenue and sales strategy.

In this business environment, our management has focused on our patented LED technology, our proprietary knowledge and our product development and manufacturing capability. In the existing Department of Defense (DoD) and Homeland Security/First Responder channels, Management has significantly changed our model from competing as the prime contractor for DoD contracts. In January, we transformed our Go-to-Market strategy from competing as a prime contractor to being the supplier who supports existing prime contractors and existing contracts. In addition, Management has also significantly changed our retail product strategy to become the product innovator and supplier to large existing retail marketing companies that have the scale and capability to bring a product to market world-wide.

These Go-to-Market strategy changes are significant and have far-reaching implications for how we create value in the marketplace, how the business scales and grows, how brand equity is created and how the value in the underlying equity of the company grows. In the past, we were competing on a very large, very sophisticated playing field against companies that were either better positioned or better capitalized to secure contracts and large purchase commitments.

In fact, we found ourselves in this very position with the United States Air Force (USAF) contract. Despite having developed the best products directly with the USAF customer, the contract was awarded to another company who underbid us and, to our knowledge, did not have a real product in market at the time of the award. This was a significant setback which we appealed to the USAF, then to the Government Accountability Office (GAO) which ultimately denied our appeal. We may ultimately seek legal damages as events present the opportunity to do so. Nonetheless, the USAF contract battle was a clear indication that a Go-to-Market strategy shift was not only necessary but fundamentally required, where we would serve those companies with existing contracts as an OEM supplier and sub-contractor rather than compete in an arena where we cannot win.

We continued to make have continued hard-fought progress in the marketplace, which has required some drastic measures appropriate for the times and the circumstances, but, nonetheless progress has been made towards the our sustainability and future growth. On the cost control side, Management has reduced all non-essential personnel, cut all available operating costs and asked the senior management team, beginning in the third quarter of 2008, to defer compensation until we are in a good operating condition. This has resulted in a reduction of true operating expense of over 75% this year. Management is continuing the very difficult task for aligning expense to revenue, and we should be well positioned to take advantage of our new cost structure as we make revenue gains going forward.

We have introduced five new, very exciting product families in order to expand our military and commercial product offerings, despite the cost reduction initiatives. In the first six months of 2009, we launched the Portable Shelter Lighting products for tents and portable structures, the Outdoor Overhead and Outdoor Area Lighting products for municipal and military street lighting opportunities, the ArcLight LED products to address the traditional fluorescent lighting replacement opportunities, the BrightEye Solar-powered Trailer-mounted Lighting System for the DoD 'green' initiatives, and the WhiteEye product as a white light version of the BrightEye for lower cost tactical lighting needs.

With our change in strategy, these new products and the existing products, are being offered to prime contractors and companies with existing contracts that contain lighting requirements. The OEM LED lighting market is approximately \$2 billion per year, and our products represent a market opportunity of approximately \$400M. If we capture a realistic market share of 1% to 3%, we would experience a rational level of growth. Management is beginning to see results that will be forthcoming over the next two quarters of performance.



Management believes these changes in our strategy will accelerate the growth, driving us into a sustainable, fully operating company with important customers who have ongoing needs for our products. This process is challenging, requiring significant effort and creative problem solving from each of our employees. As we begin to grow again, we are committed to excellence with a vigilant focus on quality and execution, where every commitment we make is also a commitment we make to excellence. There is no shortcut; there is only consistent, day-in and day-out action, where excellence is achieved through the constant 'whatever it takes' effort our employees make across our engineering, sales, marketing, manufacturing, accounting, legal and management functions.

On November 10, 2009 we announced today that our revenue backlog has reached its highest level for all of 2009. We posted \$228,421 in order backlog for the week ending November 6, 2009.

This order backlog includes new OEM orders for our portable shelter lighting systems, OEM orders for BrightEye systems, United States Air Force orders for BrightEye 10 Meter Tower Systems and National Guard orders for BrightEye Dual Lighthouse Systems.

Over the past year, we varied our sales strategy, no longer competing as a prime contractor, but rather becoming the supporting supplier of existing prime contractors and open contracts. Additionally, we significantly changed our product strategy to focus on innovative products that can fulfill market opportunities through companies where the scale and capability to sell products world-wide already exists. While still in its infancy stages, the current order backlog is a leading indicator that these strategy changes are showing definite signs of progress.

Our OEM products include general lighting products for buildings, offices and retail applications. Our military-grade products include visible and night-vision compatible illumination systems for general mission tactical lighting, force protection, maintenance lighting, expeditionary base protection, disaster first responders, and high-intensity lighting applications, and are available through General Services Administration (GSA) Federal Supply Schedule 56 under Cyberlux GSA Contract GS-07F-9409S.

On November 24, 2009, we announced that the SP Cyberlight Solar LED Lighting System has successfully completed the Sandia National Laboratories testing protocol. The SP Cyberlight product is the solar-powered lighting system jointly developed by Cyberlux Corporation and Sacred Power Corporation for the Department of Defense (DoD) Power Surety Task Force. The Power Surety Task Force is tasked with identifying efficient energy solutions that support the Warfighter in the theater of operation, including portable solar lighting solutions for the night time security of Forward Base Operations.

Sandia National Laboratories evaluated the SP Cyberlight Solar LED Lighting System in two different modes of operation: one mode for checkpoint, access points and task lighting, and the other for perimeter lighting for forward bases, buildings and site security. The technical evaluation of each mode of operation addressed the optical properties of the lighting, the light beam profile and map, the light pattern, intensity and balance and the battery and battery charging performance. As part of the operational analysis, the Sandia assessment team also evaluated the product's ease of use, the applicability of product features, the operability in expected conditions, the cost benefit and the product's robustness.

In the overall findings published in the report, SAND2009-3730P, the Sandia assessment team concluded that the SP Cyberlight Solar LED Lighting System provides excellent lighting in the checkpoint mode of operation and site-specific task lighting uses such as construction. The product also gained technical approval for use in the perimeter security mode for forward base and general site security. The SP Cyberlight also received high marks for the solar and battery power capability, the overall usability of the LED lighting system, the product's portability and ruggedness, and the cost of the system when compared to other tactical lighting solutions.



Cyberlux and Sacred Power Corporation, a leading provider of renewable energy solutions, announced in October 2008 that the companies had entered into a teaming agreement to jointly develop the SP Cyberlight LED Lighting System product by incorporating the advanced capabilities of Cyberlux lighting and Sacred Power's advanced solar power technology in order to deliver the solar-powered LED lighting solution as commissioned by the Power Surety Task Force. Sacred Power, a Native American owned and operated 8(a) certified company, specializes in solar power solutions and innovative renewable energy technologies and has significant government and military experience in the design and delivery of telecommunication, power generation and electrification projects.

The SP Cyberlight Solar LED Lighting System, now complete with the Sandia testing process, is being further evaluated at the Army's National Training Center (NTC) located at Ft. Irwin, California. Reports from the NTC indicate that the systems will be shipped to Afghanistan for "in theater" demonstration purposes in preparation for requirements determination and ultimate procurement.

The SP Cyberlight LED Lighting System is built upon the patented and patent-pending technology behind the Cyberlux Tactical Illumination Systems. These LED lighting systems provide mission-critical visible and night-vision compatible lighting that use advanced optics, advanced solid-state lighting technology and advanced light-weight battery power, all contained in easily transportable cases. Cyberlux Tactical Illumination Systems provide broad area visible white lighting and night-vision compatible IR lighting capable of operating all night on battery power, qualities not available in traditional lighting systems. The U.S. Patent Office has awarded patent protection for 50 claims contained within the Company's Portable Light Device patents, which provide Cyberlux with thorough patent protection for its lighting products and any future products developed on this patent foundation.

On December 18, 2009, we announced today that we had completed the production and shipment of ten Portable Shelter Lighting Systems for an exclusive Department of Defense (DoD) order for a multi-national OEM customer. Introduced earlier this year, our Portable Shelter Lighting System is designed to replace the existing fluorescent lighting used in all free-standing field shelters, ranging from personnel tents to command and control complexes.

Our Portable Shelter Lighting (PSL) products deliver the most energy efficient white and red LED lighting available for portable shelter illumination. Designed to provide ideal light dispersion and illumination for the portable shelter environment, we engineered the PSL configuration to flexibly illuminate any shelter size and scale, all powered by either AC or DC power, including DC solar power if available. These PSL products expand our OEM product offerings to the DoD supplier marketplace and address the significant fluorescent lighting technology transition.

On December 21, 2009, we announced today that we had formally entered into a supplier agreement with Spectrum Brands to deliver six products for its Rayovac trade name, two of which are for immediate delivery for orders that Spectrum Brands has procured. We will supply Rayovac with our existing LED lighting products, as well as LED products exclusively designed for the Rayovac brand itself. The various product lines will encompass technology previously designed by our intellectual property owned or licensed by Cyberlux and new proprietary designs that Rayovac will have exclusivity to, but will be owned by Cyberlux.

On July 21st, Cyberlux entered into negotiations with Spectrum Brands regarding various LED products that Cyberlux had already developed and patented as well as had substantial intellectual property and patent rights for. The design of new LED products exclusively for the Rayovac brand was discussed as well.

#### Intellectual Property

The following summarizes the patent and trademark holding of Cyberlux Corporation.

Cyberlux Corporation is the registered owner of the CYBERLUX® mark for lighting products, namely, diodal illuminators. Trademark applications are pending for the CAMPLIGHT™, FOCALBRIGHT™, RELIABRIGHT™, SENSORBRIGHT™, RELYON™, FOCUSON™, EVERON™, BRIGHTEYE™, WATCHDOG™, LUMENOPTIC™ and marks. The above marks are registered under International Goods and Services Class 9 (Electrical and Scientific Apparatus), Class 11 (Environmental Control Apparatus), or both.



Cyberlux has the world-wide exclusive rights to U.S. Patent No. 5,966,393 from the University of California-Santa Barbara. In addition, the Company has the world-wide exclusive rights to a suite of pending patents that define Scattered Photon Extraction™ (SPE) technology, which were acquired from Rensselaer Polytechnic Institute. The combination of these two technologies forms the patent foundation for the resulting proprietary lighting technology known as “Hybrid White Light” (HWL) and “Hybrid Multi-color Light” (HML). HWL and HML is expected to yield a lower cost, more energy-efficient lighting source than currently available in solid-state light-emitting diode (LED) solutions.

Cyberlux Corporation is the owner of U.S. Patent No. 6,752,515, which issued June 22, 2004, and is entitled Apparatus and Method for Providing Emergency Lighting. Cyberlux Corporation also owns U.S. Patent No. 6,986,589, which issued January 17, 2006, and is entitled Apparatus and Method for Providing an Emergency Lighting Augmentation System. Cyberlux Corporation is the owner of U.S. Patent No. 7,045,975, which issued May 16, 2006 and is entitled Apparatus and Methods for Providing Emergency Safety Lighting. Six patent applications are currently pending before the USPTO. Two additional patent applications are currently being prepared but have not yet been filed with the USPTO. In November 2006, Cyberlux was awarded 21 patent claims by the U.S. Patent Office for our Emergency Safety Lighting will accelerate our further pursuit of providing long-term solutions for interim and emergency lighting in hotels, hospitals, elder care facilities, apartment complexes and residences. The lighting device, designed as a replacement electrical wall outlet, simply plugs into an existing outlet after removal of its cover plate. Although the lighting device continues to operate as an electrical outlet, it also contains a constant charge battery; a motion sensor for initiating low levels of lighting for gentle illumination of a darkened room or navigation of a corridor; a power sensor for broadcasting a high level of light up the attendant wall surface to reflect off of the ceiling thereby illuminating a room or corridor; and a photo cell that detects ambient light in the space which disables the system. The lighting device is intended to provide long-term solutions for emergency and interim lighting. The patent addresses an electrochemical lighting system capable of providing prolonged illumination with the use of light emitting diodes (LEDs) as the illumination source. In addition, on November 18, 2008, we were granted U.S. Patent No. 7,452,099, which is entitled Portable Lighting Device and embodies portable LED lighting devices comprised of a body, a handle, a user interface and a pivotal support of a lighting element assembly.

All other issued patents and presently filed United States patent applications are briefly described below.

Pat. No. 6,752,515 - The patent addresses an improved emergency or interim lighting device and associated methods for providing emergency or temporal lighting. The device satisfies the need for an electrochemical lighting system capable of providing prolonged illumination over the life of the power unit. The device benefits from the use of light emitting diodes (“LEDs”) as the illumination source, which provides optimum lumen output with considerably less power consumption than conventional incandescent lighting devices. By providing a unique diode/parabolic reflector arrangement the directional limitations of conventional LED lighting devices are overcome and wide area illumination coverage is possible. Additionally, the device provides multiple illumination levels that may be triggered by a power outage condition.

Pat. No. 6,986,589 - The patent addresses an emergency lighting device having at least one LED, a local energy source such as a lithium ion battery, a control circuit in electric communication with the at least one LED and further sensing a main power supply, and a reflector for broadcasting light produced by the LED to designated areas. The application describes an emergency lighting device that transforms existing fluorescent, incandescent or halogen light fixtures into emergency lighting systems for homes, hospitals, hotels, nursing homes and businesses. The device includes a power sensor for triggering the control circuit to engage the LEDs when electrical service is disrupted, thereby broadcasting a wash of light over an otherwise darkened room or corridor.

Pat. No. 7,045,975 - The patent application addresses a lighting device that transforms existing electrical wall outlets into an emergency lighting system for homes, hospitals, hotels, nursing homes and businesses. The lighting device,

designed as a replacement electrical wall outlet or receptacle, simply plugs into an existing dual outlet after removal of its faceplate. The lighting device continues to function as an electrical outlet, however, also comprises a local power source such as a constant charge lithium ion battery; a motion sensor for initiating a low level of lighting for darkened room or corridor transit; a power sensor for activating a high level of light when electrical service is disrupted, thereby broadcasting a wash of light over an otherwise darkened room or corridor; and a photoelectric cell which detects daylight or otherwise provided lighting of the room or corridor and thereby prevents unnecessary power usage.

Ser. No. 11/392,428 - The patent application is a divisional of Pat. No. 7,045,975 described above and addresses subject matter that was restricted by the USPTO during prosecution of the '975 patent.

Pat. No. 7,452,099 - The patent application is directed to a portable light system having a body, an arm pivotally attached to the body, and one or more lighting elements disposed at one end of the arm. The portable light device further includes a handle, one or more batteries, an on-off switch, and one or more power cords for transmitting or receiving electrical energy. The portable light device is adapted to operate in a spot light mode of illumination, a flood light mode of illumination, or a combination thereof. The device benefits from the use of LEDs as an illumination source. LEDs provide optimum lumen output with considerably less power consumption than conventional lighting devices. Finally, the device provides real-time battery life information to a user such that the performance of the device may be tailored to extend or shorten expected battery life as needed.

Ser. No. 11/089,073 - The patent application is directed to a key cap light assembly that produces an efficient beam of light and is adaptable to a variety of key types. The key cap light has an elastomeric sleeve that is adapted to enclose a variety of key heads having different sizes, shapes, and thicknesses. The elastomeric sleeve binds an LED assembly to the key to provide an energy efficient, operator-activated, light source proximate the key.

Ser. No. 60/757,654 - The patent application is directed to a device for illuminating a yard sign that uses an efficient beam of light and that is adapted to cycle on and off. The illuminating device includes a main body portion configured to attach to the yard sign, a switch, a control circuit, a power source, at least one arm adjustably attached to the main body portion, and a light head disposed proximate an end of the at least one arm that comprises at least one LED assembly. The control circuit of the device is advantageously configured to automatically cycle the LED assembly on and off at predetermined daily illumination intervals.

Ser. No. 60/757,654 - The patent application is directed to an improved apparatus, method and system for providing multi-mode illumination. Specifically, exemplary embodiments of the present invention include a lighting apparatus capable of multiple modes of illumination and battery powered operation. The lighting apparatus further includes a fuel gauge module that is capable of displaying an expected battery life based on a selected operating mode and a current state of charge of the battery. Lighting devices structured in accordance with various embodiments of the invention may be light-weight and portable to improve ease of transport and deployment. Such lighting devices may also include a stable and yet retractable mounting device.

Ser. No. 60/793,541 - The patent application is directed to an improved tilt bracket and associated system for coupling an illumination device to a surface. For example, in one embodiment, the improved tilt bracket and associated system may be adapted to couple one or more LED arrays to the under-mount surface of a cabinet. In this regard, such tilt brackets and associated systems may provide enhanced LED array cooling and greater mounting flexibility.

#### Critical Accounting Policies

The preparation of our financial statements in conformity 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;

o revenue recognition; and

o derivatives

#### Stock-Based Compensation

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification ASC 718 "Compensation - Stock Compensation" (revised 2004), which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation". ASC 718 supersedes APB opinion No. 25, "Accounting for Stock Issued to Employees", and amends ASC 230, "Statement of Cash Flows". Generally, that approach in ASC 718 is similar to the approach described in Statement 123. However, ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in Accounting Standards Codification 718. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." On April 14, 2005, the SEC amended the effective date of the provisions of this statement. The effect of this amendment by the SEC is that the Company had to comply with ASC 718 and use the Fair Value based method of accounting no later than the first quarter of 2006. The Company implemented ASC 718 on January 1, 2006 using the modified prospective method. The fair value of each option grant issued after January 1, 2006 was determined as of grant date, utilizing the Black-Scholes option pricing model. The amortization of each option grant will be over the remainder of the vesting period of each option grant.

#### Revenue Recognition

Revenues are recognized in the period that products are provided. For revenue from product sales, the Company recognizes revenue in accordance with Accounting Standards Codification 605 "Revenue Recognition SEC Staff Accounting Bulletin 13". ASC 605 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) collectability 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 collectability 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. At December 31, 2009 and December 31, 2008, the Company did not have any deferred revenue.

ASC 605 incorporates Accounting Standards Codification 605-25 "Revenue Recognition - Multiple Element Arrangement". ASC 605-25 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 ASC 605-25 on the Company's financial position and results of operations was not significant.

## RESULTS OF OPERATIONS

Results of Operations for the Years Ended December 31, 2009 and 2008 Compared.

Revenues for the year ended December 31, 2009 were \$121,892. This compares to revenues of \$639,529 for the year ended December 31, 2008.

Cost of goods sold were \$105,082 for 2009 compared with \$405,929 for 2008.

Operating expenses for the year ended December 31, 2009 were \$1,923,929 compared with \$5,380,931 for the year ended December 31, 2008. Included in expenses for 2009 was \$101,832 for consulting services compared with \$517,915 for the previous year.

Interest expense for 2009 was \$1,319,442 compared to \$2,419,691 for 2008. Included in interest expense for 2009 is \$721,005 which was booked to recognize the imbedded beneficial conversion feature of the \$4,500,000 convertible notes payable entered into during the 3rd and 4th quarters of 2004, 2005 and 2006.

The net profit realized for 2009 was \$18,640,748, or \$.01 per share on an average of 1,523,296,304 shares outstanding and compares to net loss of 10,897,982, or \$.03 per share on an average of 643,052,419 shares outstanding for the year 2008.

#### Liquidity and Capital Resources

As of December 31, 2009, we had a working capital deficit of \$(14,062,174). As a result of our operating losses for the year ended December 31, 2009, we generated a cash flow deficit of \$(3,348,389) from operating activities. Cash flows generated through investing activities was during the year ended December 31, 2009. Cash used in financing activities was \$(3,342,670).

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 May 6, 2010, that we have incurred operating losses, 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.

#### Capital Resources

On January 8, 2009, we issued 55,529,412 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On January 20, 2009, we borrowed an aggregate of \$28,000 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 25,000,000 of our common stock.

On February 12, 2009, we borrowed an aggregate of \$21,000 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 25,000,000 of our common stock.

On March 31, 2009, we borrowed an aggregate of \$26,250 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 25,000,000 of our common stock.

On April 28, 2009, we borrowed an aggregate of \$22,750 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 25,000,000 of our common stock.

On May 12, 2009, we borrowed an aggregate of \$70,000 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 50,000,000 shares of our common stock.

On May 21, 2009, we issued 76,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On June 1, 2009, we borrowed an aggregate of \$59,500 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 50,000,000 of our common stock.

On June 25, 2009, we issued 70,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On August 7, 2009, we issued 95,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On August 24, 2009, we issued 30,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On September 16, 2009, we received \$25,000 , from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 57,777,778 shares of our common stock.

On September 16, 2009, we received \$25,000, from War Chest Capital Multi Strategy Fund, LLC. (“War Chest”). In conjunction with debt purchase agreement, we issued at total of 57,777,778 shares of our common stock.

On September 30, 2009, we issued 100,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On October 12, 2009, we received \$25,000, from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 86,666,667 shares of our common stock.

On October 12, 2009, we received \$25,000, from War Chest. In conjunction with debt purchase agreement, we issued at total of 86,666,667 shares of our common stock.

On October 14, 2009, we issued 110,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On October 22, 2009, we issued 100,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On October 28, 2009, we received \$25,000 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 86,666,667 shares of our common stock.

On October 28, 2009, we received \$25,000 from War Chest In conjunction with debt purchase agreement, we issued at total of 86,666,667 shares of our common stock.



On October 28, 2009, we issued 125,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On November 5, 2009, we issued 107,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On November 12, 2009, we received \$25,000 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 125,000,000 shares of our common stock.

On November 12, 2009, , we received \$25,000 from War Chest, LLC. In conjunction with debt purchase agreement, we issued at total of 125,000,000 shares of our common stock.

On November 12, 2009, we issued 109,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On November 19, 2009, we issued 146,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On November 30, 2009, we issued 120,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On December 3, 2009, we issued 150,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On December 10, 2009, we received \$16,667 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 166,666,667 shares of our common stock.

On December 10, 2009, we received \$15,667 from War Chest. In conjunction with debt purchase agreement, we issued at total of 166,666,667 shares of our common stock.

On December 11, 2009, 100,000,000 shares of our common stock was deposited in a AJW NIR escrow fund in conjunction with settlement of a law suit.

On December 11, 2009, we issued 170,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On December 17, 2009, we issued the following shares of our common stock to the following entities pursuant to a settlement agreement: AJW Master Fund II, LTD., 5,973,000 shares; AJW Master Fund, LTD, 1,633,500 shares: AJW Offshore II, LTD, 68,970,000 shares: AJW Offshore LTD X, 24,964,500 shares; AJW Partners II, LLC, 15,295,000 shares; AJW Partners, LLC, 544,500; AJW Qualified Partners II, LLC, 40,903,500 shares; AJW Qualified Partners, LLC X, 4,141,500 shares; New Millennium Capital Partners III, 2,590,500 shares.

On December 21, 2009, we issued 275,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On December 24, 2009, we issued 200,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant.

On December 28, 2009, we received \$16,147 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 166,666,667 shares of our common stock.

On December 28, 2009, we received \$16,147 from War Chest LLC. In conjunction with debt purchase agreement, we issued at total of 166,666,667 shares of our common stock.

We will still need additional investments in order to continue operations.

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

Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 105-10, Generally Accepted Accounting Principles – Overall (“ASC 105-10”). ASC 105-10 establishes the FASB Accounting Standards Codification (the “Codification”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (“ASUs”). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

Effective January 1, 2008, the Company adopted FASB ASC 820-10, Fair Value Measurements and Disclosures – Overall (“ASC 820-10”) with respect to its financial assets and liabilities. In February 2008, the FASB issued updated guidance related to fair value measurements, which is included in the Codification in ASC 820-10-55, Fair Value Measurements and Disclosures – Overall – Implementation Guidance and Illustrations. The updated guidance provided a one year deferral of the effective date of ASC 820-10 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company adopted the provisions of ASC 820-10 for non-financial assets and non-financial liabilities effective January 1, 2009, and such adoption did not have a material impact on the Company’s consolidated results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 820-10-65, Fair Value Measurements and Disclosures – Overall – Transition and Open Effective Date Information (“ASC 820-10-65”). ASC 820-10-65 provides additional guidance for estimating fair value in accordance with ASC 820-10 when the volume and level of activity for an asset or liability have significantly decreased. ASC 820-10-65 also includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of ASC 820-10-65 did not have an impact on the Company’s consolidated results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 825-10-65, Financial Instruments – Overall – Transition and Open Effective Date Information (“ASC 825-10-65”). ASC 825-10-65 amends ASC 825-10 to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements and also amends ASC 270-10 to require those disclosures in all interim financial statements. The adoption of ASC 825-10-65 did not have a material impact on the Company’s consolidated results of operations or financial condition.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events”, which is included in ASC Topic 855, Subsequent Events. ASC Topic 855 established principles and requirements for evaluating and reporting subsequent events and distinguishes which subsequent events should be recognized in the financial statements versus which subsequent events should be disclosed in the financial statements. ASC Topic 855 also required disclosure of the date through which subsequent events are evaluated by management. ASC Topic 855 was effective for interim periods ending after June 15, 2009 and applies prospectively. Because ASC Topic 855 impacted the disclosure requirements, and not the accounting treatment for subsequent events, the adoption of ASC Topic 855 did not impact our results of operations or financial condition. See Note 14 for disclosures regarding our subsequent events.

Effective July 1, 2009, the Company adopted FASB ASU No. 2009-05, Fair Value Measurements and Disclosures (Topic 820) (“ASU 2009-05”). ASU 2009-05 provided amendments to ASC 820-10, Fair Value Measurements and

Disclosures – Overall, for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain techniques. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of a liability. ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. Adoption of ASU 2009-05 did not have a material impact on the Company’s consolidated results of operations or financial condition.

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, (amendments to FASB ASC Topic 605, Revenue Recognition) (“ASU 2009-13”) and ASU 2009-14, Certain Arrangements That Include Software Elements, (amendments to FASB ASC Topic 985, Software) (“ASU 2009-14”). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-14 removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-13 and ASU 2009-14 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company does not expect adoption of ASU 2009-13 or ASU 2009-14 to have a material impact on the Company’s consolidated results of operations or financial condition.

#### 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.

#### Risk Factors

Much of the information included in this annual report includes or is based upon estimates, projections or other "forward-looking statements". Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

Such estimates, projections or other "forward-looking statements" involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward-looking statements".

Our common shares are considered speculative. Prospective investors should consider carefully the risk factors set out below.

#### 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 a net profit of \$18,640,748 for the year ended December 31, 2009 compared to a net loss of 10,897,982 for the year ended December 31, 2008. 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 \$4 million to fund our continued operations for the next twelve months, depending on revenue from operations. We need additional funding for research and development, increasing inventory, marketing and general and administrative expenses. Although this amount is less than our net losses in the past, we expect to decrease our general and administrative expenses by eliminating most of our consulting fees. In the event that we cannot significantly reduce our consulting fees, we will need to raise additional funds to continue our 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.

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 May 6, 2010, our independent auditors stated that our financial statements for the year ended December 31, 2009 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 accumulated losses for the year ended December 31, 2009 in the amount of \$33,769,973 . 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.

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 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.

Our Principal Stockholders, Officers And Directors Own a Controlling Interest in Our Voting Stock And Investors Will Not Have Any Voice in Our Management.

On October 10, 2007, we issued 3,650,000 shares of Series B Convertible Preferred Stock (“Series B stock”) to our officers and directors which are convertible into 36,500,000 shares of common stock and, in the aggregate, have the right to cast 365,000,000 million votes in any vote by our shareholders. On January 22, 2009, we issued 1,000,000 additional shares of Series B stock to our officers and directors. Combined with the number of shares of common stock held by our officers and directors, they have the right to cast approximately 56% of all votes by our shareholders. As a result, these stockholders, acting together, will have the ability to control substantially all matters submitted to our stockholders for approval, including:

- o election of our board of directors;
- o removal of any of our directors;
- o amendment of our certificate of incorporation or bylaws; and
- o adoption of measures that could delay or prevent a change in control or impede a merger, takeove or other business combination involving us.





As a result of their ownership and positions, our directors and executive officers collectively are able to influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, sales of significant amounts of shares held by our directors and executive officers, or the prospect of these sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

#### Risks Relating to Our Common Stock:

**We Have Issued a Large Amount of Stock in Lieu of Cash for Payment of Expenses and Expect to Continue this Practice in the Future. Such Issuances of Stock Will Cause Dilution to Our Existing Stockholders.**

Due to our limited economic resources, we try to issue stock in lieu of cash for payment of expenses and services provided for us. In 2008, we issued 9,700,000 shares of common stock in exchange for expenses and services rendered. We anticipate issuing shares of common stock whenever possible in lieu of cash to conserve our financial position. The number of shares of common stock issued is directly related to our stock price at the time of issuance. In the event that our stock price drops, we will be required to issue larger amounts of shares for expenses and services rendered, if the other party is willing to accept stock at all. The issuance of shares of common stock will have the effect of diluting the proportionate equity interest and voting power of holders of our common stock, including investors in this offering.

**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:

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

- obtain financial information and investment experience objectives of the person; and

- 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:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- 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.

#### Trends, Risks and Uncertainties

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our Common Stock.

ITEM 7. FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

FORMING A PART OF ANNUAL REPORT  
PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934

CYBERLUX CORPORATION

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Turner, Jones & Associates, PLLC  
Certified Public Accountants  
108 Center Street, North, 2nd Floor  
Vienna, Virginia 22180-5712  
(703) 242-6500

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Cyberlux Corporation and Subsidiaries  
4625 Creekstone Drive, Suite 130  
Research Triangle Park  
Durham, NC 27703

We have audited the accompanying consolidated balance sheets of Cyberlux Corporation and subsidiaries as of December 31, 2009 and December 31, 2008 and the related consolidated statements of income, stockholders' equity and cash flows for year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cyberlux Corporation and subsidiaries as of December 31, 2009 and December 31, 2008, and the results of its operations and its cash flows for the years ended December 31, 2009 and December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements must have been prepared assuming the Company will continue as a going concern. As discussed in Note L to the consolidated financial statements, the Company has suffered recurring losses from operations, negative working capital, and negative cash flows from operations that raise substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is also described in Note L. The consolidated financial statements do not include adjustments that might result from the outcome of this uncertainty.

Vienna, Virginia  
May 6, 2010

s/s Turner, Jones & Associates, PLLC

Turner, Jones & Associates, PLLC



CYBERLUX CORPORATION  
CONDENSED BALANCE SHEET  
AS OF DECEMBER 31

|   | 2009              | 2008               |
|---|-------------------|--------------------|
| <b>Assets</b>   |                   |                    |
| <b>Current assets:</b>  |                   |                    |
| Cash & cash equivalents   | \$24,951          | \$19,233           |
| Investment - restricted use   | 23,413            | 25,511             |
| Accounts Receivable, Allowance for Doubtful Accounts of \$7,760 and \$7,760, respectively             | 72,146            | 249,924            |
| Inventory   | 32,082            | 53,202             |
| Other current assets  | -                 | 32,198             |
| <b>Total current assets</b>   | <b>152,592</b>    | <b>380,068</b>     |
| Property, plant and equipment, net of accumulated depreciation of \$109,223 and \$91,408 respectively | 31,175            | 48,990             |
| <b>Other Assets:</b>  |                   |                    |
| Patents, net of accumulated amortization and impairment of \$3,974,974 and \$2,750,007, respectively  | -                 | 931,217            |
| <b>Total Assets</b>   | <b>\$183,767</b>  | <b>\$1,360,275</b> |
| <b>Liabilities and Deficiency in Stockholders' Equity</b>   |                   |                    |
| <b>Current liabilities:</b>   |                   |                    |
| Cash overdraft  | -                 | \$86               |
| Accounts payable  | 3,527,038         | 1,299,145          |
| Accrued liabilities   | 3,631,966         | 3,425,885          |
| Short-term notes payable, related parties   | 1,372,311         | 402,823            |
| Short-term notes payable, non-related parties   | 5,225,549         | 4,838,072          |
| Warrants payable  | 457,902           | 935,000            |
| <b>Total current liabilities</b>  | <b>14,214,766</b> | <b>10,901,012</b>  |
| <b>Long-term liabilities:</b>   |                   |                    |
| Notes payable   |                   |                    |
| Derivative liability relating to convertible debentures   | -                 | 24,384,586         |



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|   |              |              |
|---|--------------|--------------|
| Warrant liability relating to convertible debentures  | 9,976        | 255,042      |
| Total long-term liabilities   | 9,976        | 24,639,628   |
| Deficiency Stockholders' equity:  |              |              |
| Class A Preferred, \$5,000 par value, 100,000,000 shares authorized 26.9806 and 26.9806 shares issued and outstanding as of December 31, 2009 and December 31, 2008 respectively          | 134,900      | 134,900      |
| Class B Preferred, \$0.001 par value, 100,000,000 shares authorized, 25,000,000 and 3,650,000 shares issued and outstanding as of December 31, 2009 and December 31, 2008 respectively    | 25,000       | 3,650        |
| Class C Preferred, \$0.001 par value, 700,000 shares authorized, 150,000 and 150,000 shares issued and outstanding as of December, 2009 and December 31, 2008 respectively                | 150          | 150          |
| Common stock, \$0.001 par value, 20,000,000,000 shares authorized, 4,816,864,598 and 814,426,120 shares issued and outstanding as of December 31, 2009 and December 31, 2008 respectively | 4,816,865    | 814,426      |
| Additional paid-in capital  | 14,752,084   | 17,277,230   |
| Accumulated deficit   | (33,769,973) | (52,410,721) |
| Deficiency in stockholders' equity  | (14,175,875) | (34,180,365) |
| Total liabilities and (deficiency) in stockholders' equity  | \$183,767    | \$1,360,275  |

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

CYBERLUX CORPORATION  
CONDENSED STATEMENTS OF OPERATIONS  
Years Ended December 31, 2009 and 2008

|   | 2009          | 2008            |
|---|---------------|-----------------|
| Revenue   | \$ 121,892    | \$ 639,529      |
| Cost of goods sold  | (105,082 )    | (405,929 )      |
| Gross margin (loss)   | 16,810        | 233,600         |
| Operating Expenses:   |               |                 |
| Depreciation  | 17,815        | 25,617          |
| Research and development  | 43,115        | 3,582           |
| General and administrative expenses   | 1,862,998     | 3,703,513       |
| Total operating expenses  | 1,923,929     | 3,732,712       |
| (Loss) from operations  | (1,907,119 )  | (3,499,112 )    |
| Other income/(expense)  |               |                 |
| Unrealized (loss) relating to adjustment of derivative and warrant liability to fair value of underlying securities | -             | (2,795,469 )    |
| Gain on debt conversion   | 22,632,138    |                 |
| Impairment Loss   | (744,974 )    | (1,698,229 )    |
| Interest income   | 775           | 1,111           |
| Interest expense  | (1,319,442 )  | (2,794,691 )    |
| Debt acquisition costs  | (12,100 )     | (536,602 )      |
| Loss on sale of Treasury Stock  | (8,000 )      | -               |
| Total other income/(expense)  | 20,548,397    | (5,750,651 )    |
| Net income/(loss) before provision for income taxes and preferred dividend  | 18,641,278    | (11,322,912 )   |
| Income taxes (benefit)  | 530           | 490             |
| Net income/(loss) available to common stockholders  | \$ 18,640,748 | \$(11,323,912 ) |
| Weighted average number of common shares outstanding, basic   |               |                 |
|   | 1,523,296,304 | 643,052,619     |
| Net income/(loss) per share - basic   | \$0.01        | \$(0.02 )       |
| Weighted average number of common shares outstanding, diluted   |               |                 |
|   | 1,746,841,948 | N/A             |
| Net income/(loss) per share - diluted   | \$0.01        | N/A             |

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

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CYBERLUX CORPORATION  
STATEMENT OF DEFICIENCY IN STOCKHOLDERS'  
EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND  
2008

|   | Class B Preferred |              | Class C Preferred |              | Common      | Stock     | Subscription | Additional      | Accumulated    | Total          |
|---|-------------------|--------------|-------------------|--------------|-------------|-----------|--------------|-----------------|----------------|----------------|
|   | Shares            | Stock Amount | Shares            | Stock Amount | Shares      | Amount    | Receivable   | Paid in Capital | Deficit        |                |
| Balance, December 31, 2007  | 3,650,000         | \$3,650.0    | 150,000           | \$150        | 552,342,881 | \$552,343 | \$-          | \$15,286,709    | \$(41,087,239) | \$(25,000,000) |
| Common stock issued in January 2008 in connection with conversion of preferred stock, Class A | -                 | -            | -                 | -            | 100,000     | 100       | -            | 9,900           | -              | 10,000         |
| Common stock issued in February 2008 for services rendered at \$0.023 per share               | -                 | -            | -                 | -            | 100,000     | 100       | -            | 2,200           | -              | 2,300          |
| Common stock issued in conjunction with the issuance of debt                                  | -                 | -            | -                 | -            | 14,263,300  | 14,263    | -            | 370,845         | -              | 385,108        |
| Beneficial conversion feature   | -                 | -            | -                 | -            | -           | -         | -            | 184,736         | -              | 184,736        |
| Sale of common stock  | -                 | -            | -                 | -            | 126,212,123 | 126,212   | -            | 549,548         | -              | 675,970        |
| Common stock issued in settlement of debt   | -                 | -            | -                 | -            | 6,971,116   | 6,971     | -            | 55,769          | -              | 62,716         |

|   |           |         |         |       |               |           |     |              |                |        |
|---|-----------|---------|---------|-------|---------------|-----------|-----|--------------|----------------|--------|
| Common stock issued for services rendered | -         | -       | -       | -     | 114,436,700   | 114,437   | -   | 817,523      | -              | 931,   |
| Net loss                                  | -         | -       | -       | -     | -             | -         | -   | -            | (11,273,482)   | (11,   |
| Balance, December 31, 2008                | 3,650,000 | \$3,650 | 150,000 | \$150 | \$814,426,120 | \$814,426 | \$- | \$17,277,230 | \$(52,410,721) | \$(34, |

The accompanying notes are an integral part of these consolidated financial statements.

CYBERLUX CORPORATION  
STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

|  | Class B Preferred |              | Class C Preferred |              | Common        | Stock     | Subscription | Additional      | Accumulated    |               |
|--|-------------------|--------------|-------------------|--------------|---------------|-----------|--------------|-----------------|----------------|---------------|
|  | Shares            | Stock Amount | Shares            | Stock Amount | Shares        | Amount    | Receivable   | Paid in Capital | Deficit        |               |
| Balance, December 31, 2008                                 | 3,650,000         | \$3,650      | 150,000           | \$150        | 814,426,120   | \$814,426 | \$-          | \$17,277,230    | \$(52,410,721) | \$(3,000,000) |
| Preferred stock issued in January 2009 for compensation    | 1,000,000         | 1,000        | -                 | -            | -             | -         | -            | 17,000          | -              | 18,000        |
| Preferred stock issued in August 2009 for compensation     | 3,850,000         | 3,850        | -                 | -            | -             | -         | -            | 30,800          | -              | 34,650        |
| Preferred stock issued in August 2009 for compensation     | 16,500,000        | 16,500       | -                 | -            | -             | -         | -            | 49,500          | -              | 66,000        |
| Common stock issued in conjunction with warrant conversion | -                 | -            | -                 | -            | 2,038,529,412 | 2,038,529 | -            | (1,306,212)     | -              | 73,817        |
| Common stock issued as compensation                        | -                 | -            | -                 | -            | 82,003,674    | 82,004    | -            | (33,002)        | -              | 49,002        |
| Sale of common stock                                       | -                 | -            | -                 | -            | 1,578,888,892 | 1,578,889 | -            | (1,082,720)     | -              | 491,169       |
| Common stock issued in settlement of debt                  | -                 | -            | -                 | -            | 265,016,500   | 265,017   | -            | (185,512)       | -              | 79,505        |

|   |            |          |         |       |               |             |     |              |                |      |
|---|------------|----------|---------|-------|---------------|-------------|-----|--------------|----------------|------|
| Common stock issued for services rendered | -          | -        | -       | -     | 38,000,000    | 38,000      | -   | (15,000 )    | -              | 23   |
| Net loss                                  | -          | -        | -       | -     | -             | -           | -   | -            | 18,640,748     | 18   |
| Balance, December 31, 2009                | 25,000,000 | \$25,000 | 150,000 | \$150 | 4,816,864,598 | \$4,816,865 | \$- | \$17,277,230 | \$(33,769,973) | \$(1 |

The accompanying notes are an integral part of these consolidated financial statements.

CYBERLUX CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED DECEMBER 31

|   | 2009           | 2008           |
|---|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                |                |
| Net income (loss) available to common stockholders  | \$18,640,748   | \$(11,323,481) |
| Adjustments to reconcile net income (loss) to cash used in operating activities                                 |                |                |
| Depreciation  | 17,815         | 25,617         |
| Amorization   | 186,244        | 525,889        |
| Impairment loss   | 744,974        | 1,698,229      |
| Common stock issued in connection issuance of debt  | 889,072        | 385,108        |
| Common stock issued in connection for services rendered   | 51,042         | 941,000        |
| Series B preferred stock issued for services rendered   | 118,650        | -              |
| Beneficial conversion feature relating to convertible debenture   | -              | 619,736        |
| Accretion of convertible notes payable  | -              | 1,569,697      |
| Unrealized (gain) loss on adjustment of derivative and warrant liability to fair value of underlying securities | (25,106,750)   | 2,795,469      |
| (Increase) decrease in:   |                |                |
| Accounts receivable   | 177,778        | (172,109 )     |
| Inventories   | 21,120         | 104,177        |
| Prepaid expenses and other assets   | 34,296         | (23,309 )      |
| Increase (decrease) in:   |                |                |
| Cash overdraft  | -              | 67,935         |
| Accounts payable  | 2,227,893      | 561,607        |
| Accrued liabilities   | 206,081        | 1,080,752      |
| Net cash (used in) operating activities   | (1,791,038 )   | (1,184,710 )   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                |                |
|   | -              | -              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                |                |
| Net proceeds from issuance/(redemption) of convertible debentures   | (4,645,207 )   | 525,000        |
| Proceeds from sale of common stock  | 439,791        | 675,760        |
| Net proceeds (payments) from borrowing on long term basis   | 5,032,684      | (3,202 )       |
| Net proceeds (payments) to notes payable, related parties   | 969,488        | 5,759          |
| Net cash provided by financing activities:  | 1,796,756      | 1,203,317      |
| Net increase in cash and cash equivalents   | 5,719          | 18,607         |
| Cash and cash equivalents at beginning of period  | 19,233         | 626            |
| Cash and cash equivalents at end of period  | \$24,952       | \$19,233       |
| <b>Supplemental disclosures:</b>  |                |                |
| Interest Paid   | \$30,029       | \$7,277        |
| Income Taxes Paid   | \$-            | \$-            |
| <b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>   |                |                |
| Unrealized (gain) loss in adjustment of derivative and warrant liability to fair value of underlying securities | \$(25,106,750) | \$2,795,469    |
| Series B preferred stock issued for services rendered   | \$118,650      | \$-            |



|   |          |           |
|---|----------|-----------|
| Common stock issued for services rendered | \$51,042 | \$941,000 |
|---|----------|-----------|

The accompanying notes are an integral part of these condensed consolidated financial statements.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE A-SUMMARY OF ACCOUNTING POLICIES

General

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

Business and Basis of Presentation

Cyberlux Corporation (the "Company") is incorporated on May 17, 2000 under the laws of the State of Nevada. The Company 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 December 31, 2009, the Company has accumulated losses of \$33,769,973.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

### Revenue Recognition

Revenues are recognized in the period that products are provided. For revenue from product sales, the Company recognizes revenue in accordance with FASB Accounting Standards Codification 605, REVENUE RECOGNITION SEC STAFF ACCOUNTING BULLETIN TOPIC 13". ASC 605 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) collectability 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 collectability 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. At December 31, 2009 and 8 the Company did not have any deferred revenue.

ASC 605 incorporates Accounting Standards Codification 605-25, REVENUE RECOGNITION MULTIPLE ELEMENT ARRANGEMENTS. ASC 605-25 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 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 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.

### Foreign Currency Translation

The Company translates the foreign currency financial statements in accordance with the requirements of Accounting Standards Codification 830, "Foreign Currency Matters." Assets and liabilities are translated at current exchange rates, and related revenue and expenses are translated at average exchange rates in effect during the period. Resulting translation adjustments are recorded as a separate component in stockholders' equity. Foreign currency translation gains and losses are included in the statement of operations.

### Accounts Receivables

Accounts Receivable are shown at December 31, 2009 and December 31, 2008 net of Allowance for Doubtful Accounts in the amounts of \$72,146 and \$249,924. Our policy is to provide an allowance when an Account becomes greater than 90 days past due. An account is charged off when it is determined by management to be uncollectible.



## CYBERLUX CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

## NOTE A-SUMMARY OF ACCOUNTING POLICIES (continued)

The Company presently utilizes the services of Prestige Capital to provide financing for our Accounts Receivable invoices. Prestige Capital advances seventy-five percent (75%) of the face value of the invoices submitted by the Company to Prestige Capital for financing. Prestige Capital holds in reserve the remaining twenty-five percent (25%) of the invoice value until the invoice is paid by the invoiced company to Prestige. Provided that there are no outstanding charge-backs or disputes, Prestige pays the reserve amount, less any financing fees due Prestige, on the Friday following the week in which the invoice is collected by Prestige from the Company receiving the invoice from the Company.

Prestige Capital's financing fees are based on the number of days an invoice is outstanding from the date of the initial 75% advance payment. If the invoice is paid by the invoiced company within 30 days, a financing fee of three percent (3%) is paid to Prestige from the 25% reserve; if paid within 40 days a financing fee of four percent (4%) is paid to Prestige; if paid within 50 days a financing fee of five percent (5%) is paid to Prestige; if paid within 60 days a financing fee of six percent (6%) is paid to Prestige; and an additional one percent (1%) for each 10 day period thereafter until the invoice is paid by the invoiced company.

## Inventories

Inventories are stated at the lower of cost or market determined by the average cost method. The Company provides inventory allowances based on estimates of obsolete inventories. Inventories consist of products available for sale to distributors and customers as well as raw material.

Components of inventories as of December 31, 2009 and 2008 are as follows:

|  | 2009      | 2008      |
|--|-----------|-----------|
| Component parts                        | \$27,000  | \$34,631  |
| Finished goods                         | 48,415    | 61,903    |
|  | 75,415    | 96,534    |
| Less: allowance for obsolete inventory | (43,333 ) | (43,333 ) |
|  | \$32,082  | \$53,202  |

## Property and Equipment

Property and equipment are stated at cost. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. For financial statement purposes, property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives as follows:

|                         |              |
|-------------------------|--------------|
| Furniture and fixtures  | 7 years      |
| Office equipment        | 3 to 5 years |
| Leasehold improvements  | 5 years      |
| Manufacturing equipment | 3 years      |

Depreciation expense totaled \$17,815 and \$25,617 for the years ended December 31, 2009 and 2008, respectively.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE A-SUMMARY OF ACCOUNTING POLICIES (continued)

Research and Development

The Company accounts for research and development costs in accordance with the Financial Accounting Standards Board's Accounting Standards Codification 730 "Research and Development". Under ASC 730, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. The Company expenditures were \$43,115 and \$3,582 on research and product development for the year ended December 31, 2009 and 2008, respectively.

Reclassification

Certain reclassifications have been made in prior year's financial statements to conform to classifications used in the current year.

Impairment of long lived assets

The Company has adopted Accounting Standards Codification 360 "Property, Plant and Equipment". 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 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. ASC 360 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

Fair Values

On January 1, 2008, the Company adopted Accounting Standards Codification 820, "Fair Value Measurements and Disclosures". ASC 820 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. The effective date for ASC 820 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) was the first quarter of 2009. The adoption of ASC 820 did not have a material impact on the Company's financial position or operations.

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. The Company periodically reviews its trade receivables in determining its allowance for doubtful accounts. At December 31, 2009 and 2008, allowance for doubtful receivable was \$7,760 and \$7,760, respectively.





CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE A-SUMMARY OF ACCOUNTING POLICIES (continued)

Stock based compensation

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification 718 "Compensation-Stock Compensation". ASC 718 supersedes APB opinion No. 25, "Accounting for Stock Issued to Employees", and amends ASC 95, "Statement of Cash Flows". ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in ASC 718. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." On April 14, 2005, the SEC amended the effective date of the provisions of this statement. The effect of this amendment by the SEC is that the Company had to comply with ASC 718 and use the Fair Value based method of accounting no later than the first quarter of 2006. The Company implemented ASC 718 on January 1, 2006 using the modified prospective method. The fair value of each option grant issued after January 1, 2006 was determined as of grant date, utilizing the Black-Scholes option pricing model. The amortization of each option grant will be over the remainder of the vesting period of each option grant.

In prior years, the Company applied the intrinsic-value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for the issuance of stock options to employees and accordingly compensation expense related to employees' stock options were recognized in the prior year financial statements to the extent options granted under stock incentive plans had an exercise price less than the market value of the underlying common stock on the date of grant.

Segment reporting

The Company follows Accounting Standards Codification 280 "Segment Reporting". The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Income taxes

The Company follows Accounting Standards Codification 740 "Income Taxes" 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

At December 31, 2009, the Company has available for federal income tax purposes a net operating loss carryforward of approximately \$20,000,000, expiring and different stages through the year 2029, 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. Due to significant changes in the Company's ownership, the future use of its existing net operating losses may be limited.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

## NOTE A-SUMMARY OF ACCOUNTING POLICIES (continued)

## Income taxes (continued)

|                                  |               |
|----------------------------------|---------------|
| Non current:                     |               |
| Net operating loss carry forward | \$ 20,000,000 |
| Valuation allowance              | (20,000,000)  |
| Net deferred tax asset           | \$ —          |

## Patents

The Company acquired in December 2006, for \$2,294,000, and January 2007, for \$1,387,000, patents in conjunction with the acquisitions of SPE Technologies, Inc and Hybrid Lighting Technologies, Inc, respectively. The patents have an estimated useful life of 7 years. Accordingly, the Company recorded an amortization charge to current period earnings of \$186,243 and \$186,243 for the years ended December 31, 2009 and 2008, respectively. During the year 2009, the Company determined that the value of future revenue streams was not quantifiable sufficient to support the book value of the patents. Accordingly, the Company recorded an impairment expense in the amount of \$744,974, thereby eliminating the value of the Patent asset. Patents are comprised of the following:

## December 31, 2008:

| Description       | Cost        | Accumulated<br>amortization<br>and<br>impairments | Net<br>carrying<br>value at<br>December<br>31, 2007 |
|-------------------|-------------|---|---|
| Development costs | \$293,750   | \$ 293,750  | \$-0-   |
| Patents           | 2,294,224   | 1,646,277   | 648,017   |
| Patents           | 1,387,000   | 1,103,800   | 283,200   |
| Total             | \$3,974,974 | \$ 3,043,757                                      | \$931,218   |

## December 31, 2009:

| Description       | Cost        | Accumulated<br>amortization<br>and<br>impairments | Net<br>carrying<br>value at<br>December<br>31, 2008 |
|-------------------|-------------|---|---|
| Development costs | \$293,750   | \$ 293,750  | \$-0-   |
| Patents           | 2,294,224   | 2,294,224   | 0   |
| Patents           | 1,387,000   | 1,387,000   | 0   |
| Total             | \$3,974,974 | \$ 3,974,974                                      | \$0   |



CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE A-SUMMARY OF ACCOUNTING POLICIES (continued)

Comprehensive Income (Loss)

The Company adopted Accounting Standards Codification 220 "Comprehensive Income". ASC 220 establishes standards for the reporting and displaying of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business during a period from transactions and other events and circumstances from non-owners sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. ASC 220 requires other comprehensive income (loss) to include foreign currency translation adjustments and unrealized gains and losses on available for sale securities.

Liquidity

As shown in the accompanying consolidated financial statements, the Company incurred net profit from operations of \$18,640,748 for the year ended December 31, 2009. The Company's current liabilities exceeded its current assets by \$14,062,074 as of December 31, 2009.

Derivative Financial Instruments

The Company's derivative financial instruments consist of embedded derivatives related to the 10% Secured Convertible Debentures (see Note D). These embedded derivatives include certain conversion features, variable interest features, call options and default provisions. The accounting treatment of derivative financial instruments requires that the Company record the derivatives and related warrants at their fair values as of the inception date of the Note Agreement and at fair value as of each subsequent balance sheet date. As a result of entering into the Notes, the Company is required to classify all other non-employee stock options and warrants as derivative liabilities and mark them to market at each reporting date. Any change in fair value inclusive of modifications of terms will be recorded as non-operating, non-cash income or expense at each reporting date. If the fair value of the derivatives is higher at the subsequent balance sheet date, the Company will record a non-operating, non-cash charge. If the fair value of the derivatives is lower at the subsequent balance sheet date, the Company will record non-operating, non-cash income. Conversion-related derivatives were valued using the intrinsic method and the warrants using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 0%; annual volatility of 362%; and risk free interest rate from 0.37% to 1.55%. The derivatives are classified as long-term liabilities.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE A-SUMMARY OF ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 105-10, Generally Accepted Accounting Principles – Overall (“ASC 105-10”). ASC 105-10 establishes the FASB Accounting Standards Codification (the “Codification”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (“ASUs”). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

Effective January 1, 2008, the Company adopted FASB ASC 820-10, Fair Value Measurements and Disclosures – Overall (“ASC 820-10”) with respect to its financial assets and liabilities. In February 2008, the FASB issued updated guidance related to fair value measurements, which is included in the Codification in ASC 820-10-55, Fair Value Measurements and Disclosures – Overall – Implementation Guidance and Illustrations. The updated guidance provided a one year deferral of the effective date of ASC 820-10 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company adopted the provisions of ASC 820-10 for non-financial assets and non-financial liabilities effective January 1, 2009, and such adoption did not have a material impact on the Company’s consolidated results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 820-10-65, Fair Value Measurements and Disclosures – Overall – Transition and Open Effective Date Information (“ASC 820-10-65”). ASC 820-10-65 provides additional guidance for estimating fair value in accordance with ASC 820-10 when the volume and level of activity for an asset or liability have significantly decreased. ASC 820-10-65 also includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of ASC 820-10-65 did not have an impact on the Company’s consolidated results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 825-10-65, Financial Instruments – Overall – Transition and Open Effective Date Information (“ASC 825-10-65”). ASC 825-10-65 amends ASC 825-10 to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements and also amends ASC 270-10 to require those disclosures in all interim financial statements. The adoption of ASC 825-10-65 did not have a material impact on the Company’s consolidated results of operations or financial condition.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE A-SUMMARY OF ACCOUNTING POLICIES (continued)

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events”, which is included in ASC Topic 855, Subsequent Events. ASC Topic 855 established principles and requirements for evaluating and reporting subsequent events and distinguishes which subsequent events should be recognized in the financial statements versus which subsequent events should be disclosed in the financial statements. ASC Topic 855 also required disclosure of the date through which subsequent events are evaluated by management. ASC Topic 855 was effective for interim periods ending after June 15, 2009 and applies prospectively. Because ASC Topic 855 impacted the disclosure requirements, and not the accounting treatment for subsequent events, the adoption of ASC Topic 855 did not impact our results of operations or financial condition. See Note 14 for disclosures regarding our subsequent events.

Effective July 1, 2009, the Company adopted FASB ASU No. 2009-05, Fair Value Measurements and Disclosures (Topic 820) (“ASU 2009-05”). ASU 2009-05 provided amendments to ASC 820-10, Fair Value Measurements and Disclosures – Overall, for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain techniques. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of a liability. ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. Adoption of ASU 2009-05 did not have a material impact on the Company’s consolidated results of operations or financial condition.

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, (amendments to FASB ASC Topic 605, Revenue Recognition) (“ASU 2009-13”) and ASU 2009-14, Certain Arrangements That Include Software Elements, (amendments to FASB ASC Topic 985, Software) (“ASU 2009-14”). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-14 removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-13 and ASU 2009-14 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company does not expect adoption of ASU 2009-13 or ASU 2009-14 to have a material impact on the Company’s consolidated results of operations or financial condition.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

## NOTE B - PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment at December 31, 2009 and 2008 are as follows:

|                                | 2009       | 2008       |
|--------------------------------|------------|------------|
| Furniture and fixtures         | \$56,348   | \$56,348   |
| Office and computer equipment  | 62,061     | 62,061     |
| Leasehold improvements         | 21,989     | 21,989     |
| Manufacturing equipment        | 0          | 103,380    |
|                                | 140,398    | 243,778    |
| Less: accumulated depreciation | (109,223 ) | (194,788 ) |
|                                | \$31,175   | \$48,990   |

During the years ended December 31, 2009 and 2008, depreciation expense charged to operations was \$17,815 and \$25,617, respectively.

## NOTE C - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at December 31, 2009 and 2008 are as follows:

|   | 2009        | 2008        |
|---|-------------|-------------|
| Accounts payable  | \$3,527,038 | \$1,299,147 |
| Accrued interest and liquidation damages (see Note D below) | 3,006,582   | 2,438,682   |
| Accrued payroll and payroll taxes                           | 625,384     | 510,779     |
| Other accrued liabilities                                   | 0           | 476,424     |
| Total   | \$7,159,034 | \$4,725,032 |



CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE D-WARRANT PAYABLE

The Company completed an equity financing with St. George Investments, LLC (SGI), an Illinois limited liability company, on March 21, 2008 for \$1,500,000. The equity financing is structured as a 25% discount to market Warrant transaction that provides \$500,000 in capital at closing, followed by four tranches of \$250,000 each. Each \$250,000 tranche is staggered at 60-day intervals commencing in six months on September 22, 2008, which is the date that shares are salable pursuant to Rule 144 upon exercise of the Warrant. The Company issued 7,500,000 shares of Common Stock to SGI in order to induce the SGI to purchase the \$1,500,000 Warrant. In addition, 6,763,300 additional shares of Common Stock were issued as Performance Stock in the name of SGI to remain in their original certificated form and remain in escrow with the law firm of Anslow & Jaclin, LLP acting as escrow agent. As a provision of the Warrant Purchase Agreement, we pledged 35,736,700 shares of "Pledge Stock" to be held in escrow as a potential remedy in the event of the occurrence of certain identified "trigger events". On June 23rd, 2008, one trigger event, the closing price of our stock, went below the identified market price of \$0.012 per share, triggering the release from escrow of the 6,763,300 shares of Performance Stock and the 35,736,700 shares of "Pledge Stock". This trigger event, as defined in the Warrant Purchase Agreement, also increased the Warrant Account by 25% of the balance, or \$375,000, in exchange for the elimination of the 25% discount to market. As of December 31, 2009 the remaining Warrant Liability balance was \$457,902.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

## NOTE E-WARRANT LIABILITY

Total warrant liability as of December 31, 2009 and 2008 is comprised of the following:

|   | December<br>31,<br>2009 | December 31,<br>2008 |
|---|-------------------------|----------------------|
| Fair value of warrants relating to convertible debentures | \$9,976                 | \$ 105,091           |
| Fair value of other outstanding warrants                  | 0                       | 149,951              |
| Total   | \$9,976                 | \$ 255,042           |

Warrants were valued at the date of inception and at December 31, 2009 and 2008 using the Black Scholes Option Pricing Model.

The assumptions used at December 31, 2009 and 2008 were as follows:

|                         | December<br>31,<br>2009 |   | December 31,<br>2008 |   |
|-------------------------|-------------------------|---|----------------------|---|
| Expected volatility     | 242                     | % | 362                  | % |
| Expected dividend yield | -0-                     | % | -0-                  | % |
| Average risk free rate  | 0.25% -<br>0.40%        |   | 0.37% - 1.55<br>%    |   |
| Expected life (a)       | 2.4 to 2.8 yrs          |   | 1.31 to 5.53<br>yrs  |   |

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

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

## NOTE F - NOTE PAYABLE

Note payable as of December 31, 2009 and 2008, comprised of the following:

|  | December<br>31,<br>2009 | December 31,<br>2008 |
|--|-------------------------|----------------------|
| Note payable, 24% interest per annum; due in 90 days; secured by specific accounts receivables | \$-                     | \$ 192,865           |

## NOTE G - NOTES AND CONVERTIBLE NOTES PAYABLE-RELATED PARTY

Notes payable-related party is comprised of the following:

|  | December<br>31,<br>2009 | December<br>31,<br>2008 |
|--|-------------------------|-------------------------|
| Notes payable, 12% per annum; due on demand; unsecured | \$421,759               | \$147,714               |
| Notes payable, 10% per annum, due on demand; unsecured | 950,552                 | 255,109                 |
| Less: current maturities:                              | 1,372,311               | 402,823                 |
| Long term portion:                                     | (1,372,311)             | (402,823 )              |
|  | \$-                     | \$-                     |

## NOTE H -STOCKHOLDER'S EQUITY

## Series A - Convertible Preferred stock

The Company has also authorized 100,000,000 shares of Preferred Stock, with a par value of \$.001 per share.

On December 31, 2003, the Company filed a Certificate of Designation creating a Series A Convertible Preferred Stock classification for 200 shares.

The Series A Preferred stated conversion price of \$.10 per shares is subject to certain anti-dilution provisions in the event the Company issues shares of its common stock or common stock equivalents below the stated conversion price. Changes to the conversion price are charged to operations and included in unrealized gain (loss) relating to adjustment of derivative and warrant liability to fair value of underlying securities.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE H - STOCKHOLDER'S EQUITY (continued)

Series A - Convertible Preferred stock (continued)

In the year ended December 31, 2008, 1 of the Series A Preferred shareholders exercised the conversion right and exchanged 2 shares of Series A Preferred for 100,000 shares of the Company's common stock

The holders of the Series A Preferred shall have the right to vote, separately as a single class, at a meeting of the holders of the Series A Preferred or by such holders' written consent or at any annual or special meeting of the stockholders of the Corporation on any of the following matters: (i) the creation, authorization, or issuance of any class or series of shares ranking on a parity with or senior to the Series A Preferred with respect to dividends or upon the liquidation, dissolution, or winding up of the Corporation, and (ii) any agreement or other corporate action which would adversely affect the powers, rights, or preferences of the holders of the Series A Preferred.

The holders of record of the Series A Preferred shall be entitled to receive cumulative dividends at the rate of twelve percent per annum (12%) on the face value (\$5,000 per share) when, if and as declared by the Board of Directors, if ever. All dividends, when paid, shall be payable in cash, or at the option of the Company, in shares of the Company's common stock. Dividends on shares of the Series A Preferred that have not been redeemed shall be payable quarterly in arrears, when, if and as declared by the Board of Directors, if ever, on a semi-annual basis. No dividend or distribution other than a dividend or distribution paid in Common Stock or in any other junior stock shall be declared or paid or set aside for payment on the Common Stock or on any other junior stock unless full cumulative dividends on all outstanding shares of the Series A Preferred shall have been declared and paid. These dividends are not recorded until declared by the Company. As of the year ended December 31, 2009, \$0 in dividends was accumulated.

Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, and after payment of any senior liquidation preferences of any series of Preferred Stock and before any distribution or payment is made with respect to any Common Stock, holders of each share of the Series A Preferred shall be entitled to be paid an amount equal in the greater of (a) the face value denominated thereon subject to adjustment for stock splits, stock dividends, reorganizations, reclassification or other similar events (the "Adjusted Face Value") plus, in the case of each share, an amount equal to all dividends accrued or declared but unpaid thereon, computed to the date payment thereof is made available, or (b) such amount per share of the Series A Preferred immediately prior to such liquidation, dissolution or winding up, or (c) the liquidation preference of \$5,000.00 per share, and the holders of the Series A Preferred shall not be entitled to any further payment, such amount payable with respect to the Series A Preferred being sometimes referred to as the "Liquidation Payments."

Because the Series A Shares include a redemption feature that is outside of the control of the Company and the stated conversion price is subject to reset, the Company has classified the Series A Shares outside of stockholders' equity. The fair value at date of issuance was recorded outside of stockholders' equity in the accompanying balance sheet. Dividends on the Series A Shares are reflected as a reduction of net income (loss) attributable to common stockholders.

In connection with the issuance of the Series A Preferred and related warrants, the holders were granted certain registration rights in which the Company agreed to timely file a registration statement to register the common shares and the shares underlying the warrants, obtain effectiveness of the registration statement by the SEC within

ninety-five (95) days of December 31, 2003, and maintain the effectiveness of this registration statement for a preset time thereafter. In the event the Company fails to timely perform under the registration rights agreement, the Company agrees to pay the holders of the Series A Preferred liquidated damages in an amount equal to 1.5% of the aggregate amount invested by the holders for each 30-day period or pro rata for any portion thereof following the date by which the registration statement should have been effective. The initial registration statement was filed and declared effective by the SEC within the allowed time, however the Company has not maintained the effectiveness of the registration statement to date. Accordingly, the Company issued 203,867 shares of common stock as liquidated damages on December 10, 2004. The Company has not been required to pay any further liquidated damages in connection with the filing or on-going effectiveness of the registration statement.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE H - STOCKHOLDER'S EQUITY (continued)

Series A - Convertible Preferred stock (continued)

The Company was required to record a liability relating to the detachable warrants as described in Accounting Standards Codification 815 "Derivatives and Hedging". As such

:

Subsequent to the initial recording, the increase in the fair value of the detachable warrants, determined under the Black- Scholes option pricing formula, are accrued as adjustments to the liabilities at September 30, 2009 and December 31, 2008, respectively.

The expense relating to the increase in the fair value of the Company's stock reflected in the change in the fair value of the warrants (noted above) is included as another comprehensive income item of an unrealized gain or loss arising from convertible financing on the Company's balance sheet.

The warrants expired unexercised in the year ended December 31, 2006.

Series B - Convertible Preferred stock

On February 19, 2004, the Company filed a Certificate of Designation creating a Series B Convertible Preferred Stock classification for 800,000 shares, increased subsequently to 3,650,000 in 2007.

In January, 2009, April 2009, and December 2009 the Company issued 1,000,000, 3,850,000 and 16,500,000 shares, respectively of its Series B Preferred as a decision by the Board of Directors in order to retain superior voting rights. 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 in 2004. None of the Series B Preferred shareholders have exercised their conversion right and there are 25,000,000 shares of Series B Preferred shares issued and outstanding at December 31, 2009.

The holders of the Series B Preferred shall have the right to vote, separately as a single class, at a meeting of the holders of the Series B Preferred or by such holders' written consent or at any annual or special meeting of the stockholders of the Corporation on any of the following matters: (i) the creation, authorization, or issuance of any class or series of shares ranking on a parity with or senior to the Series B Preferred with respect to dividends or upon the liquidation, dissolution, or winding up of the Corporation, and (ii) any agreement or other corporate action which would adversely affect the powers, rights, or preferences of the holders of the Series B Preferred.

The holders of record of the Series B Preferred shall be entitled to receive cumulative dividends at the rate of twelve percent per annum (12%) on the face value (\$1.00 per share) when, if and as declared by the Board of Directors, if ever. All dividends, when paid, shall be payable in cash, or at the option of the Company, in shares of the company's common stock. Dividends on shares of the Series B Preferred that have not been redeemed shall be payable quarterly in arrears, when, if and as declared by the Board of Directors, if ever, on a semi-annual basis. No dividend or

distribution other than a dividend or distribution paid in Common Stock or in any other junior stock shall be declared or paid or set aside for payment on the Common Stock or on any other junior stock unless full cumulative dividends on all outstanding shares of the Series B Preferred shall have been declared and paid. These dividends are not recorded until declared by the Company. As of December 31, 2009 \$387,863 in dividends were accumulated.

Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, and after payment of any senior liquidation preferences of any series of Preferred Stock and before any distribution or payment is made with respect to any Common Stock, holders of each share of the Series B Preferred shall be entitled to be paid an amount equal in the greater of (a) the face value denominated thereon subject to adjustment for stock splits, stock dividends, reorganizations, reclassification or other similar events (the "Adjusted Face Value") plus, in the case of each share, an amount equal to all dividends accrued or declared but unpaid thereon, computed to the date payment thereof is made available, or (b) such amount per share of the Series B Preferred immediately prior to such liquidation, dissolution or winding up, or (c) the liquidation preference of \$1.00 per share, and the holders of the Series B Preferred shall not be entitled to any further payment, such amount payable with respect to the Series B Preferred being sometimes referred to as the "Liquidation Payments."

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE H -STOCKHOLDER'S EQUITY (continued)

Series C - Convertible Preferred stock

On November 13, 2006, the Company filed a Certificate of Designation creating a Series C Convertible Preferred Stock classification for 100,000 shares. Subsequently amended on January 11, 2007 to 700,000 shares.

In December 2006, the Company issued 100,000 shares of its Series C Preferred stock in conjunction with the acquisition of SPE Technologies, Inc. The shares of the Series C Preferred are non-voting and convertible, at the option of the holder, into common shares one year from issuance. The number of common shares to be issued per Series C share is adjusted based on the average closing bid price of the previous ten days prior to the date of conversion based on divided into \$25.20. The shares issued were valued at \$25.20 per share, which represented the fair value of the common stock the shares are convertible into. None of the Series C Preferred shareholders have exercised their conversion right and there are 100,000 shares of Series C Preferred shares issued and outstanding at September 30, 2008.

The holders of record of the Series C Preferred shall be entitled to receive cumulative dividends at the rate of five percent per annum (5%), compounded quarterly, on the face value (\$25.00 per share) when, if and as declared by the Board of Directors, if ever. All dividends, when paid, shall be payable in cash, or at the option of the Company, in shares of the Company's common stock. Dividends on shares of the Series C Preferred that have not been redeemed shall be payable quarterly in arrears, when, if and as declared by the Board of Directors, if ever, at the time of conversion. These dividends are not recorded until declared by the Company. As of December 31, 2009 \$-0- in dividends were accumulated.

Common stock

The Company has authorized 20,000,000,000 shares of common stock, with a par value of \$.001 per share. As of December 31, 2009 and 2008, the Company has 4,816,864, 598 and 814,426,120 shares issued and outstanding, respectively.



CYBERLUX CORPORATION  
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NOTE H -STOCKHOLDER'S EQUITY (continued)

Common stock (continued)

In January 2008, holders converted 2 shares of preferred stock – Class A into 100,000 shares of common stock. Each share of preferred stock is convertible into 50,000 shares of common stock.

In January 2008, the Company issued 100,000 shares of its common stock in exchange for services rendered. The Company valued the shares issued at \$2,300, which approximated the fair value of the shares issued during the periods the services were rendered.

In February 2008, the Company issued 6,763,300 shares of its common stock as security in conjunction with the sale of a warrant (see Note B above). The Company valued the shares issued at \$183,609, which approximated the fair value of the shares issued at the date of issuance, and charged current period earnings.

In February 2008, the Company issued 7,500,000 shares of its common stock in conjunction with the sale of a warrant (see Note B above). The Company valued the shares issued at \$202,500, which approximated the fair value of the shares issued at the date of issuance, and charged current period earnings.

In June 2008, the Company issued 5,000,000 shares of its common stock in exchange for services rendered. The Company valued the shares issued at \$70,000, which approximated the fair value of the shares issued during the periods the services were rendered.

In July 2008, the Company issued 36,000,000 shares of its common stock in exchange for services rendered. The Company valued the shares issued at \$356,400, which approximated the fair value of the shares issued during the periods the services were rendered.

In August 2008, the Company issued 35,736,700 shares of its common stock in exchange for penalties incurred. The Company valued the shares issued at \$428,840, which approximated the fair value of the shares issued during the periods the services were rendered.

In August 2008, the Company issued 6,971,116 shares of its common stock in exchange for accounts payable and other services. The Company valued the shares issued at \$62,740, which approximated the fair value of the shares issued during the periods the services were rendered.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE H -STOCKHOLDER'S EQUITY (continued)

Series C - Convertible Preferred stock

In September 2008, the Company issued 2,200,000 shares of its common stock in exchange for services rendered. The Company valued the shares issued at \$14,520, which approximated the fair value of the shares issued during the periods the services were rendered.

In October 2008, the Company issued 10,000,000 shares of its common stock in exchange for services rendered. The Company valued the shares issued at \$29,000, which approximated the fair value of the shares issued during the periods the services were rendered.

In December 2008, the Company issued 25,500,000 shares of its common stock in exchange for services rendered. The Company valued the shares issued at \$33,200, which approximated the fair value of the shares issued during the periods the services were rendered.

On January 8, 2009, we issued 55,529,412 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$155,482, which approximated the fair value of the shares issued at the date of issuance.

On January 20, 2009, we borrowed an aggregate of \$28,000 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 25,000,000 of our common stock.

On February 12, 2009, we borrowed an aggregate of \$21,000 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 25,000,000 of our common stock.

On March 31, 2009, we borrowed an aggregate of \$26,250 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 25,000,000 of our common stock.

On April 28, 2009, we borrowed an aggregate of \$22,750 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 25,000,000 of our common stock.

On May 12, 2009, we borrowed an aggregate of \$70,000 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 50,000,000 shares of our common stock.

On May 21, 2009, we issued 76,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$60,800, which approximated the fair value of the shares issued at the date of issuance.

On June 1, 2009, we borrowed an aggregate of \$59,500 from Ayuda Funding Corp. In conjunction with the borrowing, we issued a total of 50,000,000 of our common stock.

On June 25, 2009, we issued 70,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$56,000, which approximated the fair value of the shares issued at the date of issuance.

On August 5, 2009, we issued 4,000,000 shares of our common stock to W. Scott Elliott, in exchange for services rendered. The Company valued the shares issued at \$4,800, which approximated the fair value of the shares issued at the date of issuance.

On August 7, 2009, we issued 95,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$57,000, which approximated the fair value of the shares issued at the date of issuance.

On August 24, 2009, we issued 30,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$16,875, which approximated the fair value of the shares issued at the date of issuance.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE H -STOCKHOLDER'S EQUITY (continued)

Series C - Convertible Preferred stock

On September 16, 2009, we received \$25,000 , from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 57,777,778 shares of our common stock.

On September 16, 2009, we received \$25,000, from War Chest Capital Multi Strategy Fund, LLC. (“War Chest”). In conjunction with debt purchase agreement, we issued at total of 57,777,778 shares of our common stock.

On September 21, 2009, we issued 4,000,000 shares of our common stock to W. Scott Elliott, in exchange for services rendered. The Company valued the shares issued at \$3,200, which approximated the fair value of the shares issued at the date of issuance.

On September 30, 2009, we issued 100,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$43,750, which approximated the fair value of the shares issued at the date of issuance.

On October 12, 2009, we received \$25,000, from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 86,666,667 shares of our common stock.

On October 12, 2009, we received \$25,000, from War Chest. In conjunction with debt purchase agreement, we issued at total of 86,666,667 shares of our common stock.

On October 14, 2009, we issued 110,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$41,250, which approximated the fair value of the shares issued at the date of issuance.

On October 22, 2009, we issued 100,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$36,000, which approximated the fair value of the shares issued at the date of issuance.

On October 28, 2009, we issued 72,003,674 shares of our common stock to various employees, in conjunction with a stock award. The Company valued the shares issued at \$36,002, which approximated the fair value of the shares issued at the date of issuance.

On October 28, 2009, we received \$25,000 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 86,666,667 shares of our common stock.

On October 28, 2009, we received \$25,000 from War Chest In conjunction with debt purchase agreement, we issued at total of 86,666,667 shares of our common stock.

On October 28, 2009, we issued 125,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$45,000, which approximated the fair value of the shares issued at the date of issuance.

On November 5, 2009, we issued 107,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$25,680, which approximated the fair value of the shares issued at the date of issuance.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE H -STOCKHOLDER'S EQUITY (continued)

Series C - Convertible Preferred stock

On November 12, 2009, we received \$25,000 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 125,000,000 shares of our common stock.

On November 12, 2009, , we received \$25,000 from War Chest, LLC. In conjunction with debt purchase agreement, we issued at total of 125,000,000 shares of our common stock.

On November 12, 2009, we issued 109,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$26,160, which approximated the fair value of the shares issued at the date of issuance.

On November 19, 2009, we issued 146,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$32,120, which approximated the fair value of the shares issued at the date of issuance

On November 25, 2009, we issued 30,000,000 shares of our common stock in exchange for services. The Company valued the shares issued at \$15,000, which approximated the fair value of the shares issued at the date of issuance.

On November 30, 2009, we issued 120,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$21,600, which approximated the fair value of the shares issued at the date of issuance

On December 3, 2009, we issued 150,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$27,000, which approximated the fair value of the shares issued at the date of issuance

On December 10, 2009, we received \$16,667 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 166,666,667 shares of our common stock.

On December 10, 2009, we received \$15,667 from War Chest. In conjunction with debt purchase agreement, we issued at total of 166,666,667 shares of our common stock.

On December 11, 2009, 100,000,000 shares of our common stock was deposited in a AJW NIR escrow fund in conjunction with settlement of a law suit. The Company valued the shares issued at \$30,000, which approximated the fair value of the shares issued at the date of issuance

On December 11, 2009, we issued 170,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$30,600, which approximated the fair value of the shares issued at the date of issuance

On December 17, 2009, 165,016,500 shares of our common stock was deposited in a AJW NIR escrow fund in conjunction with settlement of a law suit. The Company valued the shares issued at \$49,505, which approximated the fair value of the shares issued at the date of issuance

On December 21, 2009, we issued 275,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$33,000, which approximated the fair value of the shares issued at the date of issuance

On December 24, 2009, we issued 200,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$24,000, which approximated the fair value of the shares issued at the date of issuance

On December 28, 2009, we received \$16,147 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 166,666,667 shares of our common stock.

On December 28, 2009, we received \$16,147 from War Chest LLC. In conjunction with debt purchase agreement, we issued at total of 166,666,667 shares of our common stock.

CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE I -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 10% to 12% per annum. As of December 31, 2009 and 2008, the balance due to the officers was \$1,372,311 and \$402,823, respectively.

NOTE J -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.



CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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## NOTE J - COMMITMENTS AND CONTINGENCIES (continued)

## Operating Lease Commitments

The Company leases office space in Durham, NC on a six year lease expiring December 31, 2012, for an annualized rent payment of \$88,020.. At December 31, 2009, schedule of the future minimum lease payments is as follows:

|      |        |
|------|--------|
| 2010 | 60,000 |
| 2011 | 60,000 |
| 2012 | 60,000 |
| 2013 | -      |

## Litigation

The Company is subject to other legal proceedings and claims, which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its consolidated financial position, results of operations or liquidity. There was no outstanding litigation as of December 31, 2009.

## NOTE K – FAIR VALUES

Accounting Standards Codification 820 "Fair Value Measurements and Disclosures" defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

Items recorded or measured at fair value on a recurring basis in the accompanying financial statements consisted of the following items as of December 31, 2009:

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CYBERLUX CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

## NOTE K – FAIR VALUES (continued)

|                      | Total        | Quoted Prices in<br>Active Markets for<br>Identical<br>Instruments<br>Level 1 | Significant<br>Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
|----------------------|--------------|---|---|--|
| Liabilities:         |              |   |   |  |
| Derivative liability |              |   | \$  | \$ 0   |
| Warrant payable      | (457,902 )   |   |   | (457,902 )                                       |
| Warrant liability    | (9,976 )     |   |   | (9,976 )   |
| Total                | \$(467,878 ) |   |   | \$ (467,678 )                                    |

With the exception of assets and liabilities included within the scope of Accounting Standards Codification 820 "Fair Value Measurements and Disclosures", the Company adopted the provisions of ASC 820 prospectively effective as of the beginning of Fiscal 2008. For financial assets and liabilities included within the scope of ASC 820, the Company will be required to adopt the provisions of ASC 820 prospectively as of the beginning of Fiscal 2009. The adoption of ASC 820 did not have a material impact on our financial position or results of operations, and the Company do not believe that the adoption of ASC 820 will have a material impact on our financial position or results of operations.

## NOTE L – 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 consolidated financial statements, as of December 31, 2009, the Company incurred accumulated losses of \$33,769,973. The Company's current liabilities exceeded its current assets by \$14,062,174 as of December 31, 2009. 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.

## NOTE M – SUBSEQUENT EVENTS

Management has determined that no significant subsequent events occurred since the balance sheet date.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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ITEM 8A(T) – CONTROLS AND PROCEDURES

1. Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Disclosure controls and procedures mean our controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Disclosure controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Our quarterly evaluation of disclosure controls and procedures includes an evaluation of some components of our internal control over financial reporting, and internal control over financial reporting is also separately evaluated on an annual basis for purposes of providing the management report that is set forth below. At the same time our disclosure controls and procedures can identify weaknesses in our financial reporting and control systems that require remediative action.

The evaluation conducted included the design, as well as the implementation, of the disclosure controls and procedures, and how the output produced was used in the preparation of this Form 10-K. In the course of performing this evaluation, particular attention was paid to identifying past, present and potential occurrences of data errors, problems of control, and the potential for fraud.

Our Chief Executive Officer and Chief Financial Officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management, that as of December 31, 2008<sup>9</sup> our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for the establishment and maintenance of an adequate system of internal controls over financial reporting pursuant to the Securities and Exchange Act Rules 13a – 15(f) and 15d – 15(f). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officers, and affected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- 1.) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets.
- 2.) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are

being made only in accordance with authorizations of management and the board of directors.

- 3.) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Our evaluation addressed every activity performed within the Company including, but not limited to, the collection, recording, storing, control and reporting of financial data.

Because of their inherent limitations, any system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be come inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2009, based on the framework defined in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

#### Limitations on Effectiveness of Controls and Procedures

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

This annual report does not include an attestation report of our registered public accountants regarding internal control over financial reporting, pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

#### ITEM 8B. OTHER INFORMATION

None.

## PART III

## ITEM 9 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

## 2. Directors and Executive Officers

Set forth below are the directors and executive officers of the Company, their ages and positions held with the Company, as follows

| Name             | Age | Position  |
|------------------|-----|---|
| Mark D. Schmidt  | 45  | President, Chief Executive Officer and Director                     |
| John W. Ringo    | 65  | Chairman of the Board of Directors, Secretary and Corporate Counsel |
| Alan H. Ninneman | 66  | Senior Vice President and Director                                  |
| David D. Downing | 60  | Chief Financial Officer Treasurer and Director.                     |

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.

**MARK D. SCHMIDT.** Mr. Schmidt became our Chief Executive Officer on July 1, 2008. Mr. Schmidt was 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.

**JOHN W. RINGO.** Mr. Ringo became our Chairman of the Board on July 1, 2008. 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.

**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. He became a director in December 2008. 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.

#### Limitation of Liability of Directors

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 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.



#### Election of Directors and Officers.

Directors are elected to serve until the next annual meeting of stockholders and until their successors have been elected and qualified. Officers are appointed to serve until the meeting of the Board of Directors following the next annual meeting of stockholders and until their successors have been elected and qualified.

No Executive Officer or Director of the Company has been the subject of any order, judgment, or decree of any Court of competent jurisdiction, or any regulatory agency permanently or temporarily enjoining, barring suspending or otherwise limiting him from acting as an investment advisor, underwriter, broker or dealer in the securities industry, or as an affiliated person, director or employee of an investment company, bank, savings and loan association, or insurance company or from engaging in or continuing any conduct or practice in connection with any such activity or in connection with the purchase or sale of any securities.

No Executive Officer or Director of the Company has been convicted in any criminal proceeding (excluding traffic violations) or is the subject of a criminal proceeding which is currently pending.

No Executive Officer or Director of the Company is the subject of any pending legal proceedings.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires Cyberlux Corporation executive officers and directors, and persons who beneficially own more than ten percent of the Company's common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Executive officers, directors and greater than ten percent beneficial owners are required by SEC regulations to furnish Cyberlux Corporation with copies of all Section 16(a) forms they file. Based upon a review of the copies of such forms furnished to the Company and written representations from Company executive officers and directors, the Company believes that during the year ended 2005, the officers and directors filed all of their respective Section 16(a) reports on a timely basis.

#### Audit Committee

We do not have an Audit Committee, our board of directors during 2007, performed some of the same functions of an Audit Committee, such as: recommending a firm of independent certified public accountants to audit the annual financial statements; reviewing the independent auditors independence, the financial statements and their audit report; and reviewing management's administration of the system of internal accounting controls. We do not currently have a written audit committee charter or similar document.

#### Nominating Committee

We do not have a Nominating Committee or Nominating Committee Charter. Our board of directors performed some of the functions associated with a Nominating Committee. We have elected not to have a Nominating Committee at this time, however, our Board of Directors intend to continually evaluate the need for a Nominating Committee.

## Code of Conduct

On March 4, 2005, we adopted a written code of conduct that governs all of our officers, directors, employees and contractors. The code of conduct relates to written standards that are reasonably designed to deter wrongdoing and to promote:

- (1) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
  - (2) Full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to, the Commission and in other public communications made by an issuer;
  - (3) Compliance with applicable governmental laws, rules and regulations;
- (4) The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
  - (5) Accountability for adherence to the code.

## Compensation Committee

We currently do not have a compensation committee of the board of directors. Until a formal committee is established, if at all, our entire board of directors will review all forms of compensation provided to our executive officers, directors, consultants and employees including stock compensation and loans.

## ITEM 10. EXECUTIVE COMPENSATION

## Termination of Employment

There are no compensatory plans or arrangements, including payments to be received from the Company, with respect to any person associated with the Company which would in any way result in payments to any such person because of his resignation, retirement, or other termination of such person's employment with the Company or its subsidiaries, or any change in control of the Company, or a change in the person's responsibilities following a change in control of the Company.

## Executive Compensation

The following table sets forth the cash compensation of the Company's newly elected executive officers and directors during of the years 2009, 2008, 2007,. The remuneration described in the table represents compensation received from Cyberlux Corporation and does not include the cost to the Company of benefits furnished to the named executive officers, including premiums for health insurance and other benefits provided to such individual that are extended in connection with the conduct of the Company's business. The value of such benefits cannot be precisely determined, but the executive officers named below did not receive other compensation in excess of the lesser of \$50,000 or 10% of such officer's cash compensation.

## Summary Compensation Table

| Name &<br>Principal<br>Position     | Year | Salary<br>(\$) | Bonus<br>(\$) | Other Annual<br>Compen-sation<br>(\$) | Restricted              |                     | LTIP<br>Payouts<br>(\$) | All Other<br>Compensation<br>(\$) |
|-------------------------------------|------|----------------|---------------|---------------------------------------|-------------------------|---------------------|-------------------------|-----------------------------------|
|                                     |      |                |               |                                       | Stock<br>Awards<br>(\$) | Options<br>SARs (#) |                         |                                   |
| Mark D.<br>Schmidt                  | 2009 | 180,000*       | -             | -                                     | -                       | 26,000,000          | -                       |                                   |
| CEO &<br>President                  | 2008 | 180,000*       | -             | -                                     | -                       | 10,000,000          | -                       |                                   |
|                                     | 2007 | 180,000        | -             | -                                     | -                       | 6,000,000           | -                       |                                   |
| John W.<br>Ringo                    | 2009 | 72,000*        | -             | -                                     | -                       | 17,000,000          | -                       |                                   |
| Secretary &<br>Corporate<br>Counsel | 2008 | 72,000*        | -             | -                                     | -                       | 7,500,000           | -                       |                                   |
|                                     | 2007 | 69,000         | -             | -                                     | -                       | 1,500,000           | -                       |                                   |

|                          |      |         |   |   |   |            |   |
|--------------------------|------|---------|---|---|---|------------|---|
| Alan H.<br>Ninneman      | 2009 | 72,000* | - | - | - | 17,000,000 | - |
| Senior Vice<br>President | 2008 | 72,000* | - | - | - | 7,000,000  | - |
|                          | 2007 | 69,000  | - | - | - | 1,500,000  | - |
| David D.<br>Downing      | 2009 | 30,000  | - | - | - | 12,500,000 | - |
| CFO                      | 2008 | 7,000   |   |   |   | 15,000,000 |   |
|                          | 2007 |         |   |   |   | 1,400,000  |   |

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. Some or all of the 2008 and 2009 salaries of management have been deferred until such time as revenues permit issuance.

\*In 2008 and 2009, John W. Ringo and Alan H. Ninneman deferred \$36,000 and \$72,000 in compensation, respectively. In 2008 and 2009, Mark D. Schmidt deferred \$60,000 and \$180,000 in compensation, respectively.

| Name             | Number of Securities Underlying Options/SARs Granted (#) | % of Total Options/SARs Granted To Employees in Fiscal Year | Exercise Price per Share (\$) | Base Expiration Date |
|------------------|--|---|-------------------------------|----------------------|
| Mark D. Schmidt  | 57,000,000   | 17.98%  | \$0.01                        | 05/31/2017           |
|                  | 10,000,000   | 14.29%  | \$0.001                       | 08/15/2018           |
| John W. Ringo    | 38,000,000   | 11.99%  | \$0.01                        | 05/31/2017           |
|                  | 10,000,000   | 14.29%  | \$0.001                       | 08/15/2018           |
| Alan H. Ninneman | 35,000,000   | 11.04%  | \$0.01                        | 05/31/2017           |
|                  | 10,000,000   | 14.29%  | \$0.001                       | 08/31/2018           |
| David D. Downing | 10,000,000   | 3.15%   | \$0.01                        | 08/15/2018           |
|                  | 0  |   |                               |                      |

#### Stock and 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.

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. On October 31, our Board approved the 2007 Plan that provides for 25,000,000 shares to underwrite options. On October 31, 2007, our Board approved the 2008 Plan that provides for 30,000,000 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 March 31, 2007, there were 27,513,237 stock options granted under the stock option plans that were outstanding.

On September 12, 2007, we issued 26,650,000 shares of our common stock to our employees pursuant to an Incentive Stock Grant Plan.

On February 20, 2008, we awarded 2,500,000 options to Donald F. Evans as compensation for ongoing unsecured loans to the Company in a Special 2008 Plan with a strike price of \$0.01 consistent with the terms and conditions of the existing 2008 Option Plan.

On April 1, 2008, there were 3,500,000 stock options granted under the 2008 Incentive Stock Option Plan.

Between April 2, 2008 and July 3, 2009, we utilized the underlying common stock equity of the 2007 Incentive Option Plan, the 2008 Incentive Option Plan and the 2008 Special Incentive Option Plan as collateral for a series of asset-backed bridge loans to assist in the financing of the Company.

On July 28, 2008, we issued 36,000,000 shares of our common stock to our employees pursuant to an Incentive Stock Grant Plan.

On August 15, 2008, we established the 2008 Special Incentive Options Plan of 60,000,000 common stock options for certain employees.

On October 31, 2008, we issued 23,000,000 shares of our common stock to our employees pursuant to an Incentive Stock Bonus Plan.

On January 8, 2009, we established the 2009 Special Incentive Stock Option Plan of 125,000,000 common stock options for certain employees.

On April 15, 2009, we approved the return of 20,000,000 shares of common stock held by certain employees to the Company's Treasury in return for the future issuance of 30,000,000 shares of common stock when the Company had authorized common stock available.

On October 28, 2009, we approved the future issuance of 84,503,674 shares of common stock to certain employees pursuant to an Incentive Stock Bonus Plan.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables sets forth, as of December 31, 2009, the number of and percent of the Company's common stock beneficially owned by

- o all directors and nominees, naming them,
- o our executive officers,
- o our directors and executive officers as a group, without naming them, and
- o persons or groups known by us to own beneficially 5% or more of our common stock:

The Company believes that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

A person is deemed to be the beneficial owner of securities that can be acquired by him within 60 days from December 31, 2009 upon the exercise of options, warrants or convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants or convertible securities that are held by him, but not those held by any other person, and which are exercisable within 60 days of December 31, 2009 have been exercised and converted.

| NAME AND ADDRESS OF OWNER   | TITLE OF CLASS  | NUMBER OF SHARES BENEFICIALLY OWNED (1) | PERCENTAGE OF CLASS (2) | TOTAL VOTES ENTITLED TO BE CAST ON SHAREHOLDER MATTERS (3) | PERCENTAGE OF TOTAL VOTES ON SHAREHOLDER MATTERS (4) |
|---|-----------------|---|-------------------------|--|--|
| Mark D. Schmidt<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703  | Common<br>Stock | 46,128,280 (5)                          | 1.02 %                  | 796,128,280(5)   | 16.67 %  |
| Alan H. Ninneman<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703 | Common<br>Stock | 24,892,986 (6)                          | 0.55 %                  | 524,892,986(6)   | 10.99 %  |
| John W. Ringo<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703    | Common<br>Stock | 24,752,660 (7)                          | 0.55 %                  | 624,756,660(7)   | 13.08 %  |



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|   |                 |             |     |       |   |                |      |   |
|---|-----------------|-------------|-----|-------|---|----------------|------|---|
| David D. Downing<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703 | Common<br>Stock | 8,500,000   | (8) | 0.19  | % | 408,500,000(8) | 8.06 | % |
| Richard P. Brown<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703 | Common<br>Stock | 28,628,980  |     | 0.63  | % | 278,628,980    | 5.83 | % |
| All Officers, Directors,<br>and<br>As a Group (5 persons)   | Common Stock    | 132,906,980 |     | 2.94  | % |                |      |   |
| Mark D. Schmidt<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703  | Preferred B     | 7,500,000   | (5) | 30.00 | % |                |      |   |
| Alan H. Ninneman<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703 | Preferred B     | 5,000,000   | (6) | 20.00 | % |                |      |   |
| John W. Ringo<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703    | Preferred B     | 6,000,000   | (7) | 24.00 | % |                |      |   |
| David D. Downing<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703 | Preferred B     | 4,000,000   | (8) | 16.00 | % |                |      |   |
| Richard P Brown<br>4625 Creekstone Drive,<br>Suite 130<br>Research Triangle Park<br>Durham, NC 27703  | Preferred B     | 2,625,000   | (9) | 10.00 | % |                |      |   |

(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 December 31, 2009 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.

(2) For purposes of calculating the percentage beneficially owned, the number of shares of each class of stock deemed outstanding include 4,526,864,598 common shares and 25,000,000 Preferred "B" Shares outstanding as of December 31, 2009.

(3) This column represents the total number of votes each named shareholder is entitled to vote upon matters presented to the shareholders for a vote.

(4) For purposes of calculating the percentage of total votes on shareholder matters, the total number of votes entitled to vote on matters submitted to shareholders is 4,526,864,598, which includes: one vote for each share of common stock currently outstanding (4,526,864,598 ) and 10 votes for each share of outstanding Series B preferred stock which converts to 10 underlying shares of common stock ( 25,000,000 \* 10 = 250,000,000 shares of common stock) for a total Series B preferred votes of 2,500,000,000 (25,000,000 underlying shares of common stock \* 10 votes per share).

(5) Includes 7,500,000 shares of Series B convertible preferred stock convertible into 75,000,000 shares of common stock and the right to cast 750,000,000 votes.

(6) Includes 5,000,000 shares of Series B convertible preferred stock convertible into 50,000,000 shares of common stock and the right to cast 500,000,000 votes.

(7) Includes 6,000,000 shares of Series B convertible preferred stock convertible into 60,000,000 shares of common stock and the right to cast 600,000,000 votes.

(8) Includes 4,000,000 shares of Series B convertible preferred stock convertible into 40,000,000 shares of common stock and the right to cast 400,000,000 votes.

(9) Includes 2,500,000 shares of Series B convertible preferred stock convertible into 25,000,000 shares of common stock and the right to cast 250,000,000 votes.

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We owed certain management fees, which were for accrued salaries for Messrs. Evans, Ninneman, Ringo and Schmidt consistent with employment agreements. These fees were as follows: \$400,505 to Don Evans, \$243,000 to John Ringo, \$263,000 to Alan Ninneman and \$101,000 to Mark Schmidt for a total of \$1,007,505. In addition, certain officers loaned funds to us in exchange for promissory notes. The promissory notes included \$3,745 to Al Ninneman and \$184,830 to Dave Downing.

In 2004, we issued 800,000 shares of Series B Convertible Preferred Stock to officers and directors in exchange for \$723,670 of these management fees and \$76,330 of the loan from Dave Downing, on a basis of 1 share of Series B Convertible Preferred Stock for \$1 of debt owned. The management fees converted include \$275,103 by Don Evans, \$166,915 by John Ringo, \$180,652 to Alan Ninneman and \$101,000 to Mark Schmidt. These shares of Series B Convertible Preferred Stock have certain conversion rights and superior voting privileges as further described in the "Description of Securities" section herein. The Board of Directors, exercising their business judgment, determined that it was in the Company's best interest to issue shares of Series B convertible preferred stock in lieu of accrued management fees. The Board of Directors determined that the terms of the transaction were as fair to the Company as any transactions that could have been made with unaffiliated parties. . On June 17, 2007, the Board of Directors amended the Certificate of Designation for the Series B Convertible Preferred Stock and increased the number of shares to be issued to officers and directors to 3, 650,000 shares. On January 22, 2009, the Board of Directors amended the Certificate of Designation for the Series B Convertible Stock and increased the number of shares to be issued to officers and directors to 4,650,000.

Currently, there are still outstanding promissory notes totaling 397,064, which include \$249,350 in unpaid management fees and promissory notes to officers totaling \$147,714. The unpaid management fees include \$90,916 owed to Don Evans; \$82,348 to Al Ninneman and \$76,086 to John Ringo. The outstanding promissory notes to officers include \$17,745 to Al Ninneman, and \$113,969 to Dave Downing. The promissory notes were issued to officers who lent us funds for working capital purposes. The promissory notes are payable on demand and accrue interest at an annual rate of 12%.

We have consulting agreements with outside contractors, certain of whom are also our stockholders. The agreements are generally for a term of 12 months from inception and renewable automatically from year to year unless either we or the consultant terminates such engagement by written notice. None of the consultants who are shareholders own 5% or more of our issued and outstanding shares of common stock.

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.

PART IV

ITEM 13. EXHIBITS

| 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 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         |  |

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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.

- 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.
- 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.
- 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.
- 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.
- 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.
- 4.1 Securities Purchase Agreement, dated as of October 23, 2005, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC.
- 4.2 Secured Convertible Note issued to AJW Offshore, Ltd., dated October 23, 2005.
- 4.3 Secured Convertible Note issued to AJW Qualified Partners, LLC, dated October 23, 2005.
- 4.4 Secured Convertible Note issued to AJW Partners, LLC, dated October 23, 2005.
- 4.5 Secured Convertible Note issued to New Millennium Capital Partners II, LLC.
- 4.6 Common Stock Purchase Warrant issued to AJW Offshore, Ltd., dated October 23, 2005.

- 4.7 Common Stock Purchase Warrant with AJW Qualified Partners, LLC, dated October 23, 2005.
- 4.8 Common Stock Purchase Warrant with AJW Partners, LLC, dated October 23, 2005.
- 4.9 Common Stock Purchase Warrant with New Millennium Capital Partners II, LLC, dated October 23, 2005.
- 4.10 Registration Rights Agreement, dated as of October 23, 2005, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC.
- 4.11 Security Agreement, dated as of October 23, 2005, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC.
- 4.12 Intellectual Property Security Agreement, dated as of October 23, 2005, by and among Cyberlux Corporation, AJW Partners, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and New Millennium Capital Partners II, LLC.
- 5.1 Sichenzia Ross Friedman Ference LLP Opinion and Consent, filed as an exhibit to the registration statement on Form SB-2 filed with the Commission on May 20, 2005 and incorporated herein by reference.
- 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.

- 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.
- 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, 2004 and incorporated herein by reference.
- 14.1 Code of Conduct, filed as an exhibit to the annual report on Form 10-K filed with the Commission on April 15, 2005 and incorporated herein by reference.
- 23.1 Consent of Turner Jones & Associates, PLLC
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer)

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed for professional services rendered by Turner Jones & Associates, PLLC for the audit of the registrant's annual financial statements and review of the financial statements included in the registrant's Form 10-QSB or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for fiscal years 2009 and 2008 were \$65,000 and \$65,000 respectively.

Audit-Related Fees

None.

Tax Fees

None.

All Other Fees

None.

Policy On Audit Committee Pre-Approval Of Audit And Permissible Non-Audit Services Of Independent Auditors

We currently do not have a designated Audit Committee, and accordingly, our Board of Directors' policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to our Board of Directors regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Board of Directors may also pre-approve particular services on a case-by-case basis.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

CYBERLUX CORPORATION

Dated: May 6, 2010

By: /s/ MARK D. SCHMIDT  
Mark D. Schmidt  
Chief Executive Officer (Principal  
Executive Officer)

Dated: May 6, 2010

By: /s/ DAVID D. DOWNING  
David D. Downing  
Chief Financial Officer (Principal  
Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| SIGNATURE                                | TITLE   | DATE        |
|--|---|-------------|
| /s/ MARK D. SCHMIDT<br>Mark D. Schmidt   | President, Chief Executive Officer and<br>Director        | May 6, 2010 |
| /s/ JOHN W. RINGO<br>John W. Ringo       | Secretary, Corporate Counsel and<br>Chairman of the Board | May 6 2010  |
| /s/ ALAN H. NINNEMAN<br>Alan H. Ninneman | Senior Vice President and Director                        | May 6, 2010 |

