

CYBERLUX CORP

FORM 10KSB

(Annual Report (Small Business Issuers))

Filed 05/02/02 for the Period Ending 12/31/01

Address	4625 CREEKSTONE DRIVE SUITE 100 DURHAM, NC 27703
Telephone	919-474-9700
CIK	0001138169
Symbol	CYBL
SIC Code	3674 - Semiconductors and Related Devices
Fiscal Year	12/31

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-KSB

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 000-33415_____

Cyberlux Corporation
(Name of small business issuer in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

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

105 Aviemore Drive
Suite 2000

Pinehurst, North Carolina
(Address of principal executive offices)

28374
(Zip Code)

Issuer's telephone number (901) 235-0066_____

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
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Common Stock, \$0.001 par value

Securities registered under Section 12(g) of the Exchange Act:

(Title of class)

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. ☒

State issuer's revenues for its most recent fiscal year. The Registrant had no revenues for the fiscal year.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.)

Note : If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 6,152,396 shares of \$0.001 par value common stock.

PART I

Item 1. Description of Business.

A. Business Development and Summary

We were formed as a Nevada Corporation on May 17, 2000 under the name Cyberlux Corporation. Our articles authorize us to issue up to 20,000,000 shares of common stock at a par value of \$0.001 per share and 5,000,000 shares of preferred stock at a par value of \$0.001 per share.

Our management founded the Company to design, develop, manufacture, market and sell advanced lighting systems that utilize white (and other) light emitting diodes as illumination elements. Although the diode illumination industry is in its infancy, these lighting systems offer the potential to make continued advancements in illumination technology. Light emitting diodes (LEDs) consume 90% less energy than their incandescent or fluorescent counterparts to produce a comparable lumen output. Fluorescent tubes are similar to incandescent bulbs in "life light" by virtue of the fact that both elements "burn". Diodes do not burn. Instead, diodes convert electrical current to electromagnetic energy that produces light without heat. A "lumen" is a unit of measure used to determine light intensity. We believe that in electrochemical (battery powered) applications, this decrease in energy consumption positions our lighting solutions as a much more durable and reliable lighting source than other alternatives. In standard electrical current applications, the calculated life of diodes as lighting elements is over ten years versus hours for traditional incandescent or fluorescent bulbs. The performance characteristics of diminutive energy consumption and extended life have prompted LED implementation in traffic lights and brake lights, and to a lesser degree in our area of focus, diode illumination.

B. Business of Issuer

(1) Principal products and principal markets

In April 1999, Research Econometrics, LLP, began an investigative research study for a new long-term interim lighting system to be used during power outages. Research Econometrics is a limited liability partnership in which the president of Cyberlux Corporation, Donald F. Evans, was a partner.

During the course of the research study, the newly developed bright white diode was discovered, which served to validate the intent of the study, as an economical solution to long-term battery powered interim lighting systems. Subsequently, Cyberlux Corporation was formed to pursue development of diode illumination products. Research Econometrics Partners founded Cyberlux and received stock therein in return for assignment of research data and a provisional patent (see Recent Sale of Unregistered Securities page 17).

The original patent application was filed as "Electrochemical Portable Power Plant and Lighting System", September 30, 1999 and registered as a provisional patent, number 60/156/718, on October 14, 1999. The provisional patent was assigned to Cyberlux, a corporation in formation, on March 31, 2000. The patent application was

subsequently expanded to include mechanical drawings, resubmitted as CYBERLUX STORM LIGHT on April 16, 2001 and registered as a provisional patent number 60/283/898 on July 2, 2001. The patent and trademark development was undertaken by the law firm of Alston and Bird, LLP on May 19, 2001. Trademarks for "Cyberlux", serial number 76/339,373 and the "Home Safety Light", serial number 76/337,236 were effective on November 16, 2001 and November 12, 2001, respectively. The comprehensive "utility patent" application entitled, "APPARATUS AND METHODS FOR PROVIDING EMERGENCY LIGHTING" was filed by Alston and Bird on January 11, 2002. The current status of the twenty-six patent claims contained in the application during its review period is that of "Patent Pending".

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

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

We entered into a Proprietary Product Manufacturing Agreement with SCCS (see Exhibit 10a) on April 24, 2001 that provides for the purchase of all component parts for our products by SCCS; conformance of parts acquired to Cyberlux specifications; exact assembly of parts in accordance with schematics; verified accountable tests of each unit prior to packaging; individual-packaging; finished goods inventory warehousing; palletized shipping containment's per purchase orders; and loading for shipment FOB Shelbyville. Under the terms of the agreement, SCCS is initially obligated to assemble, package and ship 80,000 lights every thirty working days, unless modified by both parties. The actual number of units produced is a function of purchase orders submitted by Cyberlux based upon purchase orders received by Cyberlux for retailers. Cyberlux has agreed to pay SCCS 112% of the costs associated with production of finished products within thirty days of the shipment date. The agreement also provides that profits for sales of replacement parts will be split 40% to SCCS and 60% Cyberlux. SCCS has estimated that parts, components and shipping costs per unit as of the date of the agreement was \$11.48. The estimate could vary based upon market conditions and volume pricing.

SCCS coordinates materials inventory with Cyberlux approved vendors based upon purchase orders or blanket orders for products. Robrady Design, Inc., our industrial design firm, is instrumental in providing detailed working drawings for injection molded parts to tool manufacturers in the US and abroad. We have retained International Consolidated Technologies (ICT), an Illinois corporation headquartered in Casey, Illinois, to produce multi-cavity steel molds and temporary molds required for proprietary injection molded parts. The molds will be manufactured at ICT's plant in Korea and the component part manufacture will occur in Casey, IL, which is within 35 miles of the SCCS assembly operation in Shelbyville, IL.

On October 29, 2001, we entered into a supply agreement with the engineering firm of TKJ, Inc. in Northbrook, Illinois in which TKJ would design and oversee manufacture of the Home Safety Light. TKJ would retain the exclusive right to manufacture and supply the electronic assemblies for the Light for the life of the design. In return for this exclusive manufacturing right, TKJ will contribute engineering support, design testing, material sourcing and component part price negotiating. TKJ has estimated the unit pricing for the PCB assembly only: 60,000 units at \$8.30 each, 500,000 units at \$8.01 each, 1,000,000 units at \$7.78 each and 2,000,000 units at \$7.38 each. This estimate made by TKJ is a function of the relationship of component cost to the number of ordered from a supplier (e.g. , the larger the number of components, purchased in any one order, the lower the per piece cost supplied). We agree with the estimates provided by TKJ consistent with its volume projections and the price thresholds associated with those volumes. These

estimates may vary based upon market conditions and volume pricing.

TKJ manages our proprietary circuitry design. TKJ has engaged an integrated circuit board contract manufacturer, Controls, Inc., Logansport, Indiana, to manufacture the electronic platforms to precise specifications. Although the boards are rigidly tested prior to shipment to Shelbyville, SCCS will test each board on receipt consistent with the quality assurance protocols established by Cyberlux.

TKJ has negotiated diode supply agreements with Nichia Chemical and others. Nichia Chemical, Tokushima, Japan, a major manufacturer of diodes, will be supplying us with white lights for our products. Although Nichia is the principal supplier, we are also searching for other manufacturers of these diodes who may have equal or greater quality diodes at favorable prices. SCCS has been delivered an agreement provided by Cyberlux wherein Rayovac supplies AA alkaline batteries to SCCS for \$.152 per unit, FOB Shelbyville, IL. The agreement with Rayovac provides for certain cooperative advertising arrangements wherein the Rayovac logo is displayed prominently on the Home Safety Light packaging.

(2) Distribution methods of our products

We have targeted our marketing and sales efforts of our initial product, the Home Safety Light, to home improvement chain retailers, which have historically experienced a high volume flow of consumers, many of whom may be classified as opportunistic buyers. Although the consumer may be in the store for a specific item, if the retailer in a prominent position features a new product, the consumer is inclined to evaluate its merits. By researching locations in the various stores, we feel that our initial product will get the most exposure in the home safety section that displays products, which concentrate on items such as fire alarms, child protection products and other items that protect homeowners from potential dangers in the home. We recognize these markets as the optimum entry point for introduction of the Cyberlux Home Safety Light to be followed by a broader market exposure in the mass-market chain stores.

During the Spring of 2001, we had an opportunity to show design illustrations of the Home Safety Light to certain sales representatives that routinely call on the leading home improvement warehouse chains. We entered into an agreement with Hynes, Inc., Charlotte, North Carolina, a national sales organization founded in 1939 to market and sell our products. Pursuant to the agreement, Hynes will provide a sales force based upon a declining commission rate 12% on the first \$500,000 to 4% on all sales over \$3,000,000. The term of the agreement is one year with automatically renewable one year terms. Hynes represents manufacturers to retail chain stores, which include Lowe's and Home Depot. Hynes maintains sales offices from Maine to Florida west to Texas and Oklahoma. Hynes will also service the accounts, process orders electronically and coordinate tracking of deliveries through real time communications with Cyberlux and SCCS.

We are positioned to go to production of the Home Safety Light with the completion of the injection molds in January, 2002. These molds provide the proprietary component parts, which in conjunction with the proprietary circuit board and battery pack, complete the finished product. Our objective is delivery to the first purchase orders during the second quarter of 2002.

We have produced 200 units of the Home Safety Light to use for sales and marketing purposes.

We submitted a proposal to a major home improvement warehouse chain in January 2002, wherein we suggested introduction of the Home Safety Light through its stores located in Virginia, North Carolina, South Carolina and Florida. We have since expanded the proposal to include stores located in Alabama, Mississippi, Louisiana and Texas. The product introduction in the stores suggested is consistent with the geography usually affected by storm activity during the Hurricane Season (June 1 through November 30). One characteristic of the Hurricane Season is the incidence of power outages caused by severe storms. The Home Safety Light is designed as a long-term interim light source which is particularly useful during power outages. In anticipation of providing the product to the stores suggested, Cyberlux issued a purchase order to SCCS for 10,000 Home Safety Lights which are now in production.

The proposal to this national chain is currently under consideration, but no purchase order has yet been received from them. The first 200 units produced were to test circuit board accuracy and product assembly protocols. The 200 units are now used as working models for display and sales purposes.

We intend to introduce the Home Safety Light through a national home improvement warehouse chain by placing the product in display containers holding 18 to 24 units per container. Our initial concentration will be in approximately 250 stores located in the States of Virginia, North Carolina, South Carolina, Georgia and Florida.

The anticipated placement of approximately 250 displays will require initial production of 10,000 Home Safety Lights. Based upon consumer acceptance and resulting reorders, we have made provisions to produce up to 80,000 units per month at the SCCS facilities. We have undertaken other marketing initiatives with SCCS, a not-for-profit quasi-government entity, which will introduce the Home Safety Light in a different format to the Federal Emergency Management Agency (FEMA), the Department of Defense (DOD) and comparable state, county and municipal emergency service organizations. While SCCS has received no commitments from these agencies to purchase our products, SCCS currently does business with these entities and is of the opinion that their emergency services would be enhanced by the use of our products.

We have retained an advertising and public relations firm, T. Franzen, Inc., which will initiate a campaign in January 2002 to create interest in and educate potential consumers to the merits of the Cyberlux Home Safety Light. Although the central advertising message is product benefit to the consumer, the underlying emphasis is the identity of Cyberlux as a leader in diode illumination or applied optoelectronics. This approach is designed to educate the consumer to identify Cyberlux as a brand name that will support interest in new products.

(3) Status of any announced new products

The Cyberlux Home Safety Light is a portable fixture that may be hand-held, placed on a level platform in a horizontal or vertical plane, or suspended by a wall-mounted hook to broadcast a blanket of light. The fixture, patent pending, is designed to produce three levels of light, which are activated by simply pushing a button. Level one activates 4 amber diodes which serve as a locator or night light and can provide up to 500 hours of light on one set of batteries. Level two disengages the amber diodes and activates 6 white diodes which produce a reading level light and can provide up to 42 hours of light on one set of batteries. Level three engages all 10 diodes to produce an intense space light for room, corridor or stairwell illumination and can provide up to 27 hours of light on one set of batteries. To that extent, the Home Safety Light is unique in that through the use of diodes and circuitry, it is able to provide up to 500 hours of light on one set of batteries. It has no bulbs, such as are used in flashlights, which normally provide only one to two hours of illumination. When a home suffers power outage, without the necessary illumination to move about the house during this period, the occupants are placed in a precarious situation. Using the moderate level of illumination, the Home Safety Light can provide 42 hours of illumination and under high intensity illumination, it can provide 27 hours of illumination. In other words, the Home Safety Light can provide practically a full week of reliable, portable light in storm situations and power outages (based on use of moderate level of light for seven days at six hours per day without battery replacement).

The circuitry design of the Cyberlux Home Safety Light contributed to the development of a second-generation product, Cyberlux Wireless Interim Lighting System (CWILS), which is currently in the design and testing stage. CWILS is a permanently installed system comprised of three light fixtures and one radio frequency (RF) transmitter. The circuit board in each of the fixtures contains an RF receiver that is activated by a signal from the RF transmitter that is plugged into an electrical wall outlet in a home or business. When the power that activates the wall outlet is interrupted (as in a power outage), the RF transmitter sends a signal to the three fixtures, which illuminates the diodal lighting elements thereby providing a bright blanket of light to the space in which the fixture is installed. The CWILS product is scheduled for introduction to retail sales during the fourth quarter of 2002.

(4) Industry background

Our Company was born from an investigative research study designed to identify a new approach to the development of an electrochemical (battery powered), portable, interim lighting system capable of providing safe illumination for extended periods of time to property owners deprived of electrical service caused by power outages. Although power outages have come to be a recurring phenomenon due to anomalies in electrical service distribution networks, the focus of the initial study was on disruptions caused by severe storm activity along the Atlantic and Gulf States' coastlines and the corresponding affected inland electrical grids. The National Weather Service labels annual storm activity as the "Hurricane Season", which is officially monitored from June 1st to November 30th each year. Other deficiency outages not related to weather have been labeled by the press as "rolling blackouts".

The loss of electrical power related to tropical and subtropical storms can be wide spread and cover extensive regional segments surrounding the matrix of the storm. It is the pervasive incidence of power outages that identified the need for a reliable, durable, safe and economical interim lighting system for property owners and the general population in areas affected by these seasonally severe weather systems. The research conducted to identify an optimum interim lighting system led to the discovery of a new illumination technology (optoelectronics). We plan to implement this technology through the development of diode illumination fixtures for domestic, commercial and industrial applications. Management has identified several opportunities, which are discussed in Section (10) Research and Development Activities below, where our optoelectronic technology can be introduced as a cost effective solution for antiquated, expensive and unreliable lighting systems currently in use. The introduction of our Cyberlux Home Safety Light is an example of our advanced illumination technology. We hope that this will establish us as an innovative leader in the industry.

8) Regulation

Our advertising and sales practices concerning the Home Safety Light and the Wireless Interim Lighting Systems are regulated by the Federal Trade Commission and state consumer protection laws. Such regulations include restrictions on the manner that we promote the sale of our products. We believe we are in material compliance with such regulations.

(9) Effect of existing or probable government 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.

(10) Research and development activities

The Cyberlux Wireless Interim Lighting System (CWILS), referenced in sub section (3) above, is an example of ongoing research into several applications for our technology. Other products that have been positioned for design and testing are battery powered trade show display lighting elements; navigational lighting for small craft; sealed lighting elements for miner's helmets; and replacement lighting elements for hard-wired outdoor walkway, parking lot or landscape illumination systems. During the last two years, we have incurred research and development expenses of \$151,505.57 for the year 2000 and \$188,100.00 for the year 2001. These numbers do not include administrative overhead, travel or other expenses associated with that development.

Charges to research and development by Research Econometrics prior to incorporation of Cyberlux Corporation in May 2000:

January 2000	\$ 8,536.11
February 2000	\$ 6,058.02
March 2000	\$ 6,021.59
April 2000	<u>\$ 12,389.98</u>

\$ 33,005.57

In May 2000, all research and development was assigned to Cyberlux Corporation (incorporated May 17, 2000) which continued the research and development effort with Technology Associates, Inc., Reno, Nevada and later with Light Technology, Inc., Sarasota, Florida. The following amounts were expended directly to the two companies for development of circuitry, optics and mechanical design:

May 2000	\$ 5,000.00	Technology Associates, Inc. (circuitry)
July 2000	\$ 30,000.00	Light Technology, Inc. (mechanical design and optics)
August 2000	\$ 20,000.00	Light Technology, Inc.
September 2000	\$ 20,000.00	Light Technology, Inc.
October 2000	<u>\$ 30,000.00</u>	Light Technology, Inc.
	\$105,000.00	

In October 2000, Cyberlux agreed to assist Safe-Light Industries, LLP, Steamboat Springs, Colorado in the development of diode lighting elements and attendant circuitry for its barricade light design for highway construction applications. The following funds were expended toward that development:

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November 2000	\$ 8,500.00	Safe-Light Industries, LLP (barricade light development)
December 2000	<u>\$ 5,000.00</u>	Safe-Light Industries, LLP
	\$ 13,500.00	
Total Year 2000	\$151,505.57	

In January 2001, it became clear that Light Technology, Inc. could not produce a production prototype model to the specifications provided by Cyberlux. (On April 18, 2001, we subsequently filed a civil complaint against Light Technology, Inc. and Safe-Light Industries, LLP and their principals alleging breach of contract, fraud, misappropriation of trade secrets and sought injunctive action against the defendants to prevent them from misappropriating trade secrets as well as to recovery monetary damages) (See, Legal Proceedings, p. 17.)

At that time, Cyberlux identified and retained an industrial design firm, Robrady Design, Inc., Sarasota, Florida and an electronic circuitry design firm, TKJ, Inc, Northbrook, Illinois to pursue development consistent with Cyberlux specifications.

In January 2001, Cyberlux advanced another \$3,500 to Light Technology, Inc. to recover any work in process that was proprietary to Cyberlux. The deliverable was of no substantive use and was discarded as "dead-end" material.

Research and Development Expenditures for the year 2001 were as follows:

January 2001	\$ 3,500.00	Light Technology, Inc. (CAD illustrations)
February 2001	\$ 12,500.00	Robrady Design, Inc. (mechanical architecture and casings)
March 2001	\$ 12,500.00	Robrady Design, Inc.
April 2001	\$ 40,000.00	Robrady Design, Inc. (design, optics ,first light & wireless system)
April 2001	\$ 7,500.00	TKJ, Inc. (circuitry design & circuit board manufacture)
May 2001	\$ 12,500.00	Robrady Design, Inc. (mechanical, optics & ergonomic design)
June 2001	\$ 12,500.00	Robrady Design, Inc.
July 2001	\$ 12,500.00	Robrady Design, Inc.
August 2001	\$ 12,500.00	Robrady Design, Inc.

September 2001	\$ 5,000.00	Robrady Design, Inc.
October 2001	\$ 10,600.00	Robrady Design, Inc.
October 2001	\$ 15,000.00	TKJ, Inc. (final circuitry for Home Safety Light)
November 2001	\$ 5000.00	Robrady Design, Inc. (final CAD delivery for tools)
November 2001	\$ 16,500.00	ICT, Inc. (deposit on single cavity tools for injection molds)
November 2001	\$ 5,000.00	Robrady Design, Inc. (final delivery on revised blueprints)
December 2001	\$ 2,500.00	Robrady Design, Inc.
January 2001	<u>\$ 2,500.00</u>	Robrady Design, Inc.
Total Year 2001	\$188,100.00	

All the amounts paid to Robrady as listed in the table were for design work done on the Home Safety Light with the exception of a \$20,000 Convertible Debenture for future work on the Cyberlux Wireless System. This is included in the \$40,000 payment in April 2001 in the table. As of this date, Robrady has been paid in full for all services rendered. The contract with Robrady Design, Inc. for work on the "storm light device" (Home Safety Light) reflects a base price estimate of \$70,000.00. In addition, however, there are three expense categories to be paid on an "as incurred" basis. These categories are listed as Material Expenses, Travel Expenses and Additional Work Requested (page 9 of contract). Robrady was instructed to fabricate 12 prototype lights which required the creation of rubber molds from which plastic parts integral to completion of the fixture could be produced. (Temporary rubber molds are created by a stereo lithography process to build a limited number of precision parts for prototype model production by hand.) All of these costs were paid on delivery of the prototype units ordered. As of this date, Robrady Design, Inc. has been paid in full for all work performed in connection with the Home Safety Light and has been prepaid (\$20,000 Convertible Debenture) for preliminary design work on the Cyberlux Wireless System.

There are two projects with Robrady, one relates to work associated with final development of the Home Safety Light; the second relates to development of the Cyberlux wireless system (radio frequency light activation). The wireless system was initially funded in April 2001 through the issuance of a \$20,000 convertible debenture. The other payments to Robrady resulted from material expenses associated with the development of 10 working prototype models created from temporary rubber molds.

Total "Pure" Research and Development for years 2000 and 2001 = \$151,505.57 plus \$188,100.00 or \$339,605.57.

12) Employees

We currently have five full time employees. Our employees are primarily at the executive level based upon our role in coordination of outsource contracts for manufacturing and other production considerations. Currently, there exist no organized labor agreements or union agreements between Cyberlux and our employees. However, we have employment agreements with the following executive officers: Donald F. Evans, President (see Exhibit 10b), Alan H. Ninneman, Senior Vice President (see Exhibit 10c) and John W. Ringo, Secretary and Corporate Counsel (see Exhibit 10d). We believe that our relations with our employees are good.

(13) Dependence on Key Personnel

The success of our Company depends upon the efforts, abilities and expertise of our executive officers and other key employees, including our Chief Executive Officer, Senior Vice President for Operations, Treasurer/Chief Financial Officer and Secretary/Corporate Counsel. The loss of the services of such individuals and/or other key individuals could have a material adverse effect on our operations.

Item 2. Description of Property.

A. Description of Property

Our corporate headquarters are located at 50 Orange Road, Pinehurst, North Carolina 28374. The office space is defined as the 12' by 14' office located at the northeast corner of the property situated at 50 Orange Road, Pinehurst, North Carolina 28374 and adjacent common spaces consisting of restroom facilities, storage closets and conference room access. Equipment consists of two telephone units; two calculators; one HP printer, copier, fax; one IBM typewriter; one IBM computer with CTX color monitor and Logitech keyboards. Furniture and fixtures consist of two leather executive swivel chairs; two executive desks; two 2 drawer file cabinets; one lateral file cabinet; one cherry wood storage cabinet; one steel typewriter table; two brass banker's lamps, two extended halogen task lamps and various desk top appurtenances.

Research Econometrics, LLP, provides these facilities to Cyberlux at a cost of \$650 per month. The managing partner of Research Econometrics, LLP, Carothers H. Evans, is the son of Donald F. Evans, president of Cyberlux. The leasing terms represent a fully negotiated contract price between two related parties at an arms length transaction. According to the Sublease Agreement, as of July 1, 2000 the space is rented on a month-to-month basis continuing until such use and enjoyment is terminated by either party on thirty days notice in writing. Our management believes that suitable expansion space is available to meet our future needs at commercially reasonable terms, if required.

B. Investment Policies

Management does not currently have policies regarding the acquisition or sale of assets primarily for possible capital gain or primarily for income. We do not presently hold any investments or interests in real estate, investments in real estate mortgages or securities of or interests in those persons primarily engaged in real estate activities.

Item 3. Legal Proceedings.

On April 18, 2001, Cyberlux filed a civil complaint against Light Technology, Inc., Ervin J. Rachwal, Safe-Light Industries, LLC a/k/a JFER Innovations Group, LLC, James Meyer and John Fleming alleging fraud, breach of contract, monies lent, misappropriation of trade secrets, conspiracy and sought injunctive relief against the defendants to prevent them from misappropriating trade secrets as well as to recover monetary damages

In May 11, 2001, the Court granted a temporary injunction against the Defendants.

On June 5, 2001, the Defendants filed their Answer denying the allegations of the Complaint and filed a counterclaim alleging fraud, violation of Trade Secret Act, breach of contract and money lent.

On January 18, 2002, the Court granted the Defendants' Motion tot Dissolve the Injunction.

On January 28, 2002, Cyberlux filed a Motion for Rehearing or Clarification of the Motion to Dissolve.

A hearing on the Cyberlux Motion for Rehearing or Clarification of the Motion to Dissolve was scheduled for March 18, 2002, but was cancelled by the Court and has not been rescheduled. The injunction still remains in effect until the Court rules on this Motion.

Background:

Cyberlux came into contact with Light Technology, Inc. ("LTI") and Rachwal in early 2000. We were seeking someone with the knowledge and expertise to assist us in the development of an emergency light using white LEDs. LTI and Rachwal represented that they they had such knowledge and expertise and could finalize the development of the Cyberlux emergency light by September 30, 2000 so that we could begin manufacturing and selling the emergency light by November 2000. Rachwal and LTI also advised us that we could acquire all the assets of LTI and the rights to LTI's flashlight which also used white LEDs provided Rachwal was made an officer and director of Cyberlux as well as be in charge of design work for the Company.

In order to evaluate this offer, we requested accounting and financial records to verify the representations of LTI and Rachwal and to attempt to ascertain the value of LTI. Despite repeated attempts, LTI and Rachwal were unable to provide adequate, verifiable financial records. Nonetheless, in order allow LTI and Rachwal to proceed with the development of the emergency light in order to meet the November shipping deadline, Cyberlux and LTI entered into a Letter of Intent on June 12, 2000. This Letter of Intent also contained a confidentiality clause protecting our interests. Pursuant to the Letter of Intent we paid LTI \$100,000 to develop a prototype of an emergency storm light and possible acquisition of the assets of LTI based upon an independent evaluation of the of the worth of the assets. We hired the Sarasota CPA firm, Kerkerling, Barbario & Co. to independently do an evaluation of the LTI assets. Kerkerling, Barbario came to the conclusion that LTI had no verifiable assets of any value. Furthermore, LTI never developed and produced a working model of the emergency storm light. We incurred meeting and travel expenses of \$36,401.52 associated with LTI during the period June through December 2000. \$43,699.41 was paid to Cyberlux employees under LTI's promised delivery of the light. We also made loans to defendant Safe-Light in the Amount of \$13,188.75 to assist in development and marketing of its products based upon representation that the assets of Safe-Light would be acquired by us.

We entered into a joint venture agreement with LTI and Rachwal in which LTI and Rachwal would grant Cyberlux an exclusive license to manufacture and sell its flashlight know as the PalLight for a licensing fee of \$500,000 as well as a royalty for each light sold. This agreement was contingent upon the successful completion of the raising of a minimum offering amount of \$900,000 by Cyberlux in a Private Placement Offering that it was conducting. The offering was unsuccessful and was subsequently withdrawn. LTI and Rachwal continually asked for additional fees outside the agreement. We terminated the agreement on March 28, 2001.

We instituted our complaint against the defendants when we learned, through a local newspaper article that LTI and Safe-Light had merged and had developed an emergency light. We had confidentiality rights with both companies. The defendants breached their contracts with us by misappropriating trade secrets and we are seeking monetary damages as well injunctive relief to prevent them from capitalizing on the misappropriation of trade secrets.

Defendant LTI claims that we breached the contract terms of the letter of intent and joint venture agreement by failing to maintain confidential disclosed to us and intentionally disclosing confidential information to third parties. Despite receiving \$100,000 from us defendants claim we failed to fund the development of the Light. Further, defendants claim we failed to pay fees set forth in the licensing agreement. Defendant Safe-Light allege that we requested that they assist us in raising funding for the products discussed in the complaint. We actually loaned them funds for the development of their barricade light.

The Company intends to fully prosecute the Company's claims and actions against the Defendants. The Company denies the Defendants allegations alleged against the Company in their counterclaim. This litigation is still in the discovery stage and the ultimate outcome cannot presently be determined.

Court : Circuit Court of the Twelfth Judicial District In and For Sarasota County, Florida.
Case Name : Cyberlux Corporation, Plaintiff v. Ervin J. Rachwal, Light Technology, Inc., Safe-Light Industries, LLC a/k/a JFER Innovations Group, LLC, James Meyer and John Fleming.
Case Number : 2001 CA 005309 NC Div. C.

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

None.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

There is currently no trading market for the registrant's common stock.

Item 6. Management's Discussion and Analysis or Plan of Operation.

When used in this Form 10-KSB and in our future filings with the Securities and Exchange Commission, the words or phrases "will likely result," "management expects," or "we expect," "will continue," "is anticipated," "estimated" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speak only as of the date made. These statements are subject to risks and uncertainties, some of which are described below. Actual results may differ materially from historical earnings and those presently anticipated or projected. We have no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

A. Management's Discussion and Analysis

(1) For the period May 17, 2000 (inception) through September 30, 2001, we did not generate revenue from sales or other sources. During this development stage, we pursued capital accumulation through debt and equity financing and development of the Cyberlux Home Safety Light. We are positioned to produce the light with the completion of the injection molds in January 2002 for sale and distribution during the second quarter 2002. Injection molds, also known as "tools" are created in two stages. Polycarbonate plastic is injected, under pressure, into a cavity (the mold) to produce the designed component part. The first stage is a single cavity mold that produces a precision single component part from a light weight metal mold. The single cavity mold reveals any design discrepancy or desired modification to the part prior to a commitment to the much more expensive second stage, hardened steel four cavity mold, known also as the "production tool". The single cavity mold is capable of producing 50,000 component parts before abrasion affects the dimension integrity of the molded component. The hardened steel four cavity mold is capable of producing over 5,000,000 component parts prior to abrasive influence. Other "tools" included in the manufacturing process extend to precision templates used in the placement of wiring, resistors, capacitors and diodes by high speed stamping machines that place the designed circuit into a substrate that becomes the circuit board.

During the ensuing twelve months of operation we intend to:

1. Move to expanded office facilities;
2. Hire mid-level management personnel and support staff;
3. Establish retail chain customer service and accounting protocols; and
4. Contract with retail chain stores to distribute and market our products.

We cannot guarantee that we will be able to compete successfully or that the competitive pressures we may face will not have an adverse effect on our business, results of operations and financial condition.

The cash requirements of the Company have been, and continue to be, met by loans from Officers, the forbearance of salaries by Officers and the Agreement with SCCS which provides for payment by SCCS for all component parts and packaging incident to the assembly and shipment of the Home Safety Light to retail customers of Cyberlux. The shipment of the Home Safety Light to retail customers creates a receivable that becomes a negotiable instrument for purposes of finance. The receivable financing provides revenue to pay SCCS for its finished goods financing and to pay the overhead of the Company. If there are no retail purchase orders, there are no fungible receivables and, therefore, no logical reason for the Company to continue its business. As indicated above, the business of the Company is the sale of its products to retail establishments. All Officers have agreed to forbearance of salaries

until such time as the revenues generated through sales to such retail establishments is sufficient to pay salaries and retire debt. The history of the Company reflects investment in the design, development and manufacture of a unique product for sale through retail establishments to consumers. Although no such sales have yet occurred, there has been no product available for sale until the current quarter of 2002.

However, we will have to raise additional funds within the next 12 months. The Company has reported 286,504 in management fees due to several officers without salary compensation since inception. Such fees are to be paid as bonus compensation from revenues consistent with profitable sales. We have made arrangements with a commercial factoring firm to provide account receivable financing during our initial sales cycle. Receivable financing through factoring is an expensive process that we hope to improve upon through bank receivable financing after payment performance of the Company's customers is historically established.

<u>Classification</u>	<u>Fixed / Variable</u>	<u>Ability to Control</u>
Employee Wages and Benefits	Salary = Fixed Hourly = Variable	Can reduce through lay off of personnel
Subcontractor Expense	Fixed	Can reduce through discontinuation or restructuring of agreements
Accounting and Legal Expenses	Variable	May increase as Company becomes fully reporting
Building Rental Expense	Fixed	Little control over, per agreement
Utilities	Variable	May fluctuate due to seasonality
Business Insurance	Fixed	Will increase when 'Key Man" life insurance is obtained
Misc. Office Supplies & Shipping	Variable	Can control through reduced office supply requisitions, negotiating alternative shipping solutions

To fund ongoing fiscal 2002 operations, we will need to begin to generate revenues to fund our operations and provide for our working capital needs. If we are unable to generate sufficient revenues, we may need to obtain additional funding through a public or private offering of equity or debt. In the meantime, our officers and directors plan to advance funds to us on an as-needed basis, although there is no definitive or legally binding agreement to do so. We have no arrangements or agreements to obtain funding, and we cannot assure you that such financing will be available on reasonable terms, if at all. Unless we begin generating revenues, obtain additional financing or continue to receive funds advanced by officers and directors, there is substantial doubt of our ability to continue as a going concern. However, we may experience fluctuations in operating results in future periods due to a variety of factors, such as:

1. We have a limited operating history on which to base estimates of future performance;
2. We may need to obtain additional financing in the event that we are unable to realize sales of our products or if we require more capital than we currently have; and
3. We may experience difficulty in managing growth.

We issued certain management fees which were due on December 31, 2001 which were for accrued salaries for Messrs. Evans, Ninneman and Ringo consistent with employment agreements.

On October 18, 2001, the Company entered into a loan agreement with OneCap, Inc. in which it borrowed \$170,000 for the purpose of financing for tooling, circuitry and registration costs for public listing of the Company's stock. The term of the loan is for one year and the interest rate is 13% per annum. Under the terms of the agreement,

the Company issued a promissory note secured by assets of the Company and founders stock which were placed into an escrow account. The Company also issued OneCap a warrant to purchase 500,000 shares of its \$0.001 par value common stock at par.

Item 7. Financial Statements.

Cyberlux Corporation
(a Development Stage Company)
Balance Sheet

	December 31, 2001	December 31, 2000
Assets		
Current assets:		
Cash	\$ 30,602	\$ 21,697
Prepaid interest	6,812	-
Prepaid design services	20,000	-
	<hr/>	<hr/>
Total current assets	57,414	21,697
	<hr/>	<hr/>
Fixed assets, net	46,582	3,538
Other assets:		
Deposit	6,819	1,819
	<hr/>	<hr/>
	\$ 110,815	\$ 27,054
	<hr/>	<hr/>
Liabilities and Stockholders' (Deficit)		
Current liabilities:		
Accrued interest	\$ 16,018	\$ 1,267
Other accrued liabilities	3,250	-
Management fees payable - related party	286,504	70,000
Short-term notes payable - shareholders	97,745	-
Short-term notes payable	90,000	15,000
	<hr/>	<hr/>
Total current liabilities	493,517	86,267
	<hr/>	<hr/>
Long-term note payable	170,000	-
Convertible debentures	-	117,455
	<hr/>	<hr/>
	663,517	203,722
	<hr/>	<hr/>
Stockholders' (Deficit):		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.001 par value, 20,000,000 shares authorized, 6,152,396 and 4,315,966 shares issued and outstanding as of 12/31/01 and 12/31/00, respectively	6,152	4,316
Additional paid-in capital	473,568	273,667
(Deficit) accumulated during development stage	(1,032,422)	(454,651)
	<hr/>	<hr/>
	(552,702)	(176,668)
	<hr/>	<hr/>
	\$ 110,815	\$ 27,054

Cyberlux Corporation
(a Development Stage Company)
Statement of Operations
For the year ended December 31, 2001
the period May 17, 2000 (Inception) to December 31, 2001,
and for the period May 17, 2000 (Inception) to December 31, 2001

	Year ended December 31, 2001	May 17, 2000 (inception) to December 31, 2000	May 17, 2000 (inception) to December 31, 2001
Revenue	\$ -	\$ -	\$ -
Expenses:			
Marketing and advertising expense	74,535	44,013	118,548
Depreciation expense	2,356	676	3,032
Organizational costs	-	25,473	25,473
Research and development costs	85,500	157,314	242,814
Management and consulting fees - related party	263,088	153,730	416,818
General and administrative expenses	107,991	71,041	179,032
Total expenses	533,470	452,247	985,717
(Loss) from operations	(533,470)	(452,247)	(985,717)
Other income (expense):			
Interest (expense)	(44,301)	(2,444)	(46,745)
Interest income	-	40	40
Net (loss)	\$ (577,771)	\$ (454,651)	\$ (1,032,422)
Weighted average number of common shares outstanding - basic and fully diluted	4,413,467	3,708,445	
Net (loss) per share - basic and fully diluted	\$ (0.13)	\$ (0.12)	

Cyberlux Corporation
(a Development Stage Company)
Statement of Changes in Stockholders' Equity
For the Period May 17, 2000 (Date of Inception) to December 31, 2001

	<u>Common Stock</u>		<u>Additional</u>	<u>(Deficit)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Accumulated</u>	<u>Stockholders'</u>
			<u>Capital</u>	<u>During</u>	<u>(Deficit)</u>
				<u>Development</u>	
				<u>Stage</u>	
Shares issued to founders for cash	1,784,000	\$ 1,784	\$ 416	\$	\$ 2,200
Shares issued for research and development	750,000	750	68,003		68,753
Shares issued for conversion of debt	144,000	144	39,856		40,000
Donated capital	-	-	16,000		16,000
Shares issued for cash pursuant to Rule 504 offering	640,171	640	95,386		96,026
Shares issued for consulting services	997,795	998	54,006		55,004
Net (loss)					
May 17, 2000 (inception) to December 31, 2000				(454,651)	(454,651)
Balance, December 31, 2000	4,315,966	4,316	273,667	(454,651)	(176,668)
Shares issued for conversion of debt	850,430	850	170,200		171,050
Shares issued for exercise of options	350,000	350	-		350
Shares issued for exercise of warrants	636,000	636	29,701		30,337
Net (loss)					
Year ended December 31, 2001				(577,771)	(577,771)
Balance, December 31, 2001	6,152,396	6,152	473,568	(1,032,422)	(552,702)

Cyberlux Corporation

(a Development Stage Company)

Statement of Cash Flows

For the year ended December 31, 2001,
the period May 17, 2000 (inception) to December 31, 2000, and
for the period May 17, 2000 (Date of Inception) to December 31, 2001

	<u>Year ended</u>	<u>May 17, 2000</u>	<u>May 17, 2000</u>
	<u>December 31,</u>	<u>(inception) to</u>	<u>(inception) to</u>
	<u>2001</u>	<u>December 31,</u>	<u>December 31,</u>
		<u>2000</u>	<u>2001</u>
Cash flows from operating activities			
Net (loss)	\$ (577,771)	\$ (454,651)	\$ (1,032,422)
Depreciation expense	2,356	676	3,032
Shares issued for consulting services	-	55,004	55,004
Shares issued for research and development	-	68,753	68,753

Adjustments to reconcile net (loss) to cash (used) by operating activities:			
(Increase) in deposit	(5,000)	(1,819)	(6,819)
Increase in accrued interest	14,751	1,267	16,018
Increase in other accrued liabilities	3,250	-	3,250
Increase in management fees payable - related party	216,504	70,000	286,504
	<u>(345,910)</u>	<u>(260,770)</u>	<u>(606,680)</u>
Cash flows from investing activities			
Purchase of fixed assets	(45,400)	(4,214)	(49,614)
Proceeds from short-term notes payable	61,283	-	61,283
Proceeds from long-term notes payable	170,000	15,000	185,000
	<u>185,883</u>	<u>10,786</u>	<u>196,669</u>
Cash flows from financing activities			
Proceeds from convertible debentures	40,500	157,455	197,955
Proceeds from short-term notes payable - shareholders	97,745	-	97,745
Donated capital	-	16,000	16,000
Issuance of common stock	30,687	98,226	128,913
	<u>168,932</u>	<u>271,681</u>	<u>440,613</u>
Net increase in cash	8,905	21,697	30,602
Cash - beginning	21,697	-	-
	<u>30,602</u>	<u>21,697</u>	<u>30,602</u>
Cash - ending	\$	\$	\$
	<u>30,602</u>	<u>21,697</u>	<u>30,602</u>
Supplemental disclosures:			
Interest paid	\$ -	\$ 1,202	\$ 1,202
	<u>-</u>	<u>1,202</u>	<u>1,202</u>
Income taxes paid	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>
Non-cash investing and financing activities:			
Shares issued for R&D and consulting services	\$ -	\$ 123,757	\$ 123,757
	<u>-</u>	<u>123,757</u>	<u>123,757</u>
Shares issued for conversion of debt	\$ 171,050	\$ 40,000	\$ 211,050
	<u>171,050</u>	<u>40,000</u>	<u>211,050</u>

Cyberlux Corporation
(A Development Stage Company)
Notes

Note 1 - History and organization of the company

The Company was organized on May 17, 2000 (Date of Inception) under the laws of the State of Nevada, as Cyberlux

Corporation. The Company has limited operations, and in accordance with SFAS #7, the Company is considered a development stage company.

Note 2 - Accounting policies and procedures

Accounting method

The Company reports income and expenses on the accrual method.

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

The Company maintains a cash balance in a non-interest-bearing account that currently does not exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There are no cash equivalents as of September 30, 2001 and December 31, 2000.

Fixed assets

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

Office equipment	5 years
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Advertising costs

The Company expenses all costs of advertising as incurred. Advertising costs totaled \$0- and \$13,645 in 2001 and 2000, respectively.

Impairment of long lived assets

Long lived assets held and used by the Company are reviewed for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable or is impaired. No such impairments have been identified by management at September 30, 2001 and December 31, 2000.

Fair value of financial instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2001 and December 31, 2000. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Reporting on the costs of start-up activities

Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities," which provides guidance on the financial reporting of start-up costs and organizational costs, requires most costs of start-up activities and organizational costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. With the adoption of SOP 98-5, there has been little or no effect on the Company's financial statements.

Stock-Based Compensation:

The Company accounts for stock-based awards to employees in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations and has adopted the disclosure-only alternative of FAS No. 123, "Accounting for Stock-Based Compensation." Options granted to consultants, independent representatives and other non-employees are accounted for using the fair value method as prescribed by FAS No. 123.

Loss per share

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

Dividends

The Company has not adopted any policy regarding payment of dividends. No dividends have been paid or declared since inception.

Segment reporting

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

Income taxes

The Company follows Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" ("SFAS No. 109") for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability during each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

Recent pronouncements

The FASB recently issued Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133". The Statement defers for one year the effective date of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". The rule now will apply to all fiscal quarters of all fiscal years beginning after June 15, 2000. In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement will require the company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income, if the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The company does not expect SFAS No. 133 to have a material impact on earnings and financial position.

In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB No. 101), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 did not impact the company's revenue recognition policies.

Cyberlux Corporation
(A Development Stage Company)
Notes

In March 2000, the FASB issued Interpretation No. 44 (FIN 44), Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB 25. FIN 44 clarifies the application of APB 25 for (a) the definition of employee for purposes of applying APB 25, (b) the criteria for determining whether a plan qualifies as a noncompensatory plan, (c) the accounting consequence for various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain provisions cover specific events that occur after either December 15, 1998, or January 12, 2000. The adoption of certain other provisions of FIN 44 prior to July 30, 2000 did not have a material effect on the financial statements. The Company does not expect that the adoption of the remaining provisions will have a material effect on the financial statements.

Note 3 - Income taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), which requires use of the liability method. SFAS No. 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences are as follows:

U.S federal statutory rate	(34.0%)
Valuation reserve	<u>34.0%</u>
Total	<u>-%</u>

As of December 31, 2001, the Company has a net operating loss carryforward of approximately \$1,000,000 for tax purposes, which will be available to offset future taxable income. If not used, this carryforward will expire in 2021. The deferred tax asset relating to the operating loss carryforward of approximately \$340,000 has been fully reserved at December 31, 2001.

Note 4 - Fixed assets

The Company acquired \$45,000 of tooling equipment during the year ended December 31, 2001, and \$4,214 of office equipment during the year ended December 31, 2000.

Depreciation expense totaled \$2,356 and \$676 for the years ended December 31, 2001 and December 31, 2000, respectively.

Note 5 - Notes payable and convertible debentures

The Company received cash from unrelated individuals in exchange for promissory notes totaling \$75,000 as of December 31, 2001. The unsecured notes bear an interest rate of 10.0%, and the principal and interest are due on July 31, 2002.

The Company received cash from an unrelated entity in exchange for a promissory note totaling \$170,000 as of December 31, 2001. The note is secured by all of the Company's assets plus 3,265,000 shares of the Company's stock held by various individuals. The Company paid a total of \$11,050 for six months in advance pursuant to the loan agreement. Six monthly payments of \$1,841.67 plus accrued interest are due by the 15th of each month with a renewable balance due April 22, 2002. The note bears interest at 13% per annum, and interest expense of \$16,018 has been accrued as of December 31, 2001.

Total interest expense at December 31, 2001 of \$44,301 includes a loan origination fee of \$17,500.

Cyberlux Corporation **(A Development Stage Company)** **Notes**

During the years ended December 31, 2001 and December 31, 2000, the Company issued convertible debentures totaling \$40,500 and \$157,455, respectively. The debentures are convertible into the Company's \$0.001 par value common stock at the discretion of the note holders. During the periods ended December 31, 2000, certain of the note holders elected to convert their debentures totaling \$40,000 into 144,000 shares of the Company's \$0.001 par value common stock. During the year ended December 31, 2001, certain note holders elected to convert their debentures totaling \$171,050 into 850,430 shares of the Company's \$0.001 par value common stock.

Note 6 - Stockholder's equity

The Company is authorized to issue 20,000,000 shares of its \$0.001 par value common stock and 5,000,000 shares of its \$0.001 par value preferred stock.

During May, 2000, the Company issued 1,784,000 shares of its \$0.001 par value common stock to its founders in exchange for cash of \$2,200.

During May 2000, the Company issued 750,000 shares of its \$0.001 par value common stock in exchange for research and

development and organizational costs paid for by Research Econometrics, LLP in the totaling \$68,753.

During May 2000, the Company issued 875,000 shares of its \$0.001 par value common stock to an officer of the Company for consulting services valued at \$36,585.

During July 2000, the Company issued 144,000 shares of its \$0.001 par value common stock in exchange for convertible debentures in the amount of \$40,000.

During November 2000, the Company issued 640,171 shares of its \$0.001 par value common stock for total cash of \$99,026 pursuant to a Regulation D, Rule 504 of the Securities and Exchange Commission Act of 1933, offering.

During November 2000, the Company issued 122,795 shares of its \$0.001 par value common stock to a consulting firm for services valued at \$18,419.

During November 2001, officers of the Company elected to exercise their options to purchase 350,000 shares of the Company's \$0.001 par value common stock for cash of \$350.

During the year ended December 31, 2001, certain warrant holders elected to convert their warrants to 636,000 shares of the Company's \$0.001 par value common stock for cash of \$30,337.

During the year ended December 31, 2001, the Company issued 850,430 shares of its \$0.001 par value common stock in exchange for convertible debentures in the amount of \$171,050.

There have been no other issuances of common or preferred stock.

Note 7 - Warrants and options

The Company created an Employee Stock Option Plan for incentive/retention of current key employees and as an inducement to employment of new employees. The plan, which sets aside 600,000 shares of common stock for purchase by employees, was made effective in the second quarter by the Board of Directors. On May 31, 2001, the Company issued stock options to its officers to purchase 350,000 shares at an exercise price of 85% of the fair market price per share on the exercise date. On November 27, 2001, the officers exercised their options and acquired 350,000 shares of stock for cash of \$350.

Note 8 - Related Party Transactions

The Company entered into a sub-lease agreement with Research Econometrics, LLP, which provides the Company the ability to continue the research and development efforts of the Electrochemical Portable Power Plant and Lighting System. The agreement is on a month-to-month basis. Total rental expense for the year ending December 31, 2001 was \$15,806, and for the period ended December 31, 2000 was \$10,606.

Cyberlux Corporation
(A Development Stage Company)
Notes

The Company issued 997,795 shares of its \$0.001 par value common stock valued at \$55,004 to officers and shareholders of the Company for consulting services totaling \$153,730 as of December 31, 2000.

The Company accrued management fees payable to officers and shareholders of the Company totaling \$286,504 and \$70,000 as of December 31, 2001 and December 31, 2000, respectively.

Note 9 - Going concern

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern. The Company plans to seek additional funding through debt and equity offerings.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Cyberlux Corporation

I have audited the accompanying balance sheets of Cyberlux Corporation (a development stage company) as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended and for the period May 17, 2000 (inception) to December 31, 2001. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I plan and perform the audits 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cyberlux Corporation (a development stage company) as of December 31, 2001 and 2000, and the results of its operations, stockholders' equity and cash flows for the years then ended and for the period May 17, 2000 (inception) to December 31, 2001 in conformity with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has had recurring operating losses for the past several years. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.



Las Vegas, Nevada

April 30, 2002

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

We have had no disagreements with our independent accountants.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

A. Directors and Executive Officers

The following table sets forth certain information with respect to each of our executive officers or directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Appointed</u>
Donald F. Evans	67	President & Chairman of the Board	May 19, 2000
John W. Ringo	56	Secretary, Corporate Counsel & Director	May 19, 2000
Alan H. Ninneman	58	Senior Vice President & Director	May 19, 2000
David D. Downing	52	Treasurer & CFO	May 19, 2000

B. Work Experience

Donald F. Evans, President, Chairman of the Board - Mr. Evans graduated from the University of North Carolina, Chapel Hill, NC with a BS Degree in Economics. Mr. Evans represented the investment interest of Research Econometrics in Waste Reduction Products Corporation, a privately held North Carolina corporation from June of 1996 to until March of 1999. Mr. Evans served on the Board of that Company and as its representative for product sales to the U.S. Department of Defense. On March 19, 1999, Research Econometrics sold its interest in Waste Reduction Products Corporation and on April 1, 1999, he began an investigative research study on behalf of Research Econometrics into the feasibility of a long-term electrochemical interim lighting system. The resulting study identified the feasibility of white diodes as lighting elements which, when managed by solid state circuitry, would provide a reliable source (over forty-two hours from one battery pack) lighting solution to homeowners or businesses during extended power outages. The study provided the performance specifications and methods for the development of the light which led to the formation of Cyberlux Corporation in May 2000 as the business management entity for the project. Mr. Evans has served as the CEO of Cyberlux since its inception.

John W. Ringo, Secretary, Corporate Counsel & Director - Mr. Ringo graduated from the University of Kentucky, Lexington, KY with a BA Degree in Journalism Subsequently, he received a Juris Doctor Degree from the University of Kentucky College of Law. Since 1990, he has been engaged 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 is a founder of Cyberlux and has served as Secretary and General Counsel since its inception.

Alan H. Ninneman, Senior Vice President & Director - Mr. Ninneman attended Elgin Community College, Elgin, IL and subsequently majored in business administration at Southern Illinois University, Carbondale, IL. Mr. Ninneman 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; Director of Operations at Scorpion Technologies, Inc., San Jose, California; and CEO of City Software, Inc., Albuquerque, New Mexico from 1992 until becoming a founder of Cyberlux in May 2000. Mr. Ninneman is responsible for the Company's operations systems.

David D. Downing, Treasurer & CFO - Mr. Downing graduated from Grove City College, Grove City, PA with a BA Degree in Accounting. 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. He is a founder of Cyberlux and served as its Treasurer since its inception.

Item 10. Executive Compensation.

Remuneration of Directors and Executive Officers

Although the Company has employment agreements with Messrs. Evans, Ringo and Ninneman which call for compensation as listed below, no salaries have been paid during the development stage. These officers have agreed to receive accrued management fees in the form of bonus payments after revenues are available from product sales. No officer or director has received any compensation as of yet until such time as we begin generating revenues. However, the following table sets forth the annual compensation due our executives that has accrued based on the inability of the Company to meet the obligation.

Name	Capacities in which Remuneration was Recorded	Annual Compensation 1,2,3
Donald F. Evans	President & Chairman of the Board	\$98,000
John W. Ringo	Secretary, Corporate Counsel & Director	\$66,000
Alan H. Ninneman	Senior Vice President & Director	\$78,000
David D. Downing	Treasurer & CFO	\$0

Footnotes to Executive Compensation:

1. Compensation to officers has been deferred as a capital conservation measure designed to invest available funds into development of saleable products.
2. Management's salaries will be based upon the performance of the Company. Management's performance bonuses will be decided by a majority of the Board of Directors of the Company and may be increased by the Board of Directors from year to year consistent with goals established by the Board to the benefit of shareholders.
3. Members of the Company's Board of Directors will serve until the next annual meeting of the stockholders and until their successors are duly elected and qualified, unless earlier removed as provided in the Bylaws of the Company. Executive officers serve at the pleasure of the Board of Directors.

Compensation of Directors

There are no arrangements made to compensate any director for services as a director. Such arrangements for compensation of directors for services will commence once we begin earning revenues.

Stock Option Plan

The Company has created an Employee Stock Option Plan for incentive/retention of current key employees and as an inducement to employment of new employees. The plan, which sets aside 600,000 shares of common stock for purchase by employees, was made effective in the second quarter by the Board of Directors. Cyberlux will not issue options or warrants to any employee or affiliate with an exercise price of less than 85% of the fair market value of the Common Stock on the date of the grant.

On May 31, 2001, Cyberlux issued stock options to purchase 350,000 shares of the 600,000 shares authorized by the Board of Directors to the following individuals, in the following amounts:

<u>Individual</u>	<u>Corporate Position</u>	<u>Number of Shares</u>
Donald F. Evans	President and CEO	100,000
John W. Ringo	Secretary and Corporate Counsel	100,000
Alan H. Ninneman	Senior Vice President	100,000
David D. Downing	Treasurer and CFO	50,000

The exercise price is 85% of the fair market price per share. The options expire on the tenth anniversary of the Stock Option Agreement (all dated May 31, 2001). The options listed above were exercised in November 2001 at a price of \$0.001 per share.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

A. Security Ownership of Management

The following table sets forth as of September 30, 2001, certain information regarding the beneficial ownership of our common stock by:

1. Each person who is known us to be the beneficial owner of more than 5% of the common stock,
2. Each of our director and executive officers and
3. All of our directors and executive officers as a group.

Except as otherwise indicated, the persons or entities listed below have sole voting and investment power with respect to all shares of common stock beneficially owned by them, except to the extent such power may be shared with a spouse. No change in control is currently being contemplated.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percentage of Shares Outstanding
Donald F. Evans Fifty Orange Road Pinehurst, NC 28374	875,000 @ \$0.001/share 380,000 @ \$0.065/share ^{1, 2} 100,000 @ \$0.001/share	22.02%
David D. Downing 100 Country Meadow Drive Marietta, OH 45750	400,000 @ \$0.001/share 50,000 @ \$0.001/share	7.31%
Alan H. Ninneman 17 Barberry Court Corrales, NM 87048	500,000 @ \$0.001/share 100,000 @ \$0.001/share	9.75%
John W. Ringo 241 Lamplighter Lane Marietta, GA 30067	300,000 @ \$0.001/share 100,000 @ \$0.001/share	6.5%
Total ownership by our officers and directors (four individuals)	<u>2,805,000</u>	<u>45.6%</u> ³

Footnotes:

1. Mr. Evans was issued 875,000 shares individually in connection with his founding of Cyberlux Corporation and assignment of his patent for the Electrochemical Portable Power and Lighting System to the Company. Research Econometrics was issued 750,000 shares in connection with an assignment of all of its interests derived from its funding of the initial development of the long-term interim lighting system.. The Research Econometric shares were distributed to the partners in this venture and, as one of the partners, Mr. Evans received 380,000 of the partnership's 750,000 shares.

2. 380,000 shares received by Mr. Evans pursuant to the distribution of Research Econometrics shares are common stock of the Company owned by him individually. The balance of the Research Econometric shares were distributed to ten other individual partners no one of whom owns an amount approaching 5% of the shares outstanding.

3. There is no voting trust among any of the shareholders, officers or directors. Pursuant to the Incentive Stock Option Plan, officers of the Company, Messrs. Evans, Ringo, Ninneman and Downing exercised 350,000 options, which increased the percentage of ownership to 45.6% of total outstanding shares. These options are reflected in the individual's share ownership in the table.

B. Persons Sharing Ownership of Control of Shares

No person other than Donald F. Evans, David D. Downing, Alan H. Ninneman, and John Ringo owns or shares the power to vote 5% or more of our securities.

Item 12. Certain Relationships and Related Transactions.

The Company entered into a sub-lease agreement with Research Econometrics, LLP, which provides the Company the ability to continue the research and development efforts of the Electrochemical Portable Power Plant and Lighting System. The agreement is on a month-to-month basis. Total rental expense for the nine months ending September 30, 2001 was \$10,606, and for the period ending December 31, 2000 was \$10,606. Mr. Evans was the partner in Research Econometrics who undertook the investigative research study designed to determine the feasibility of an electrochemical (battery powered) interim lighting system that could provide long-term solutions to property owners during extended power outages. The study confirmed the feasibility of such a system consistent with an application of new technologies that, when combined, provided extended life to existing battery resources. He began the study with an investigation of the incidence of power outage attributable to severe storm activity along the east coast and west along the gulf coast states of the United States. Later, he communicated his interest in exploring the development of a new light to PU AN Trading Company, Taipei, Taiwan, an organization known to him as a representative of several electronic product manufacturers in Taiwan. The first provisional patent was filed with the U.S. Patent and Trademark Office on September 30, 1999. It was filed for the proposed system as "first to invent" and granted a license for "foreign filing". The foreign filing license provides documentation to the provisional patent holder to register its license in certain foreign jurisdictions to protect its intellectual property from infringement. This was communicated to PU AN Trading to secure its confirmation of confidentiality, non-disclosure clauses in its representation agreements with Research Econometrics. PU AN provided a variety of battery pack configurations for experimentation with incandescent, fluorescent and fiber optic elements. The chemical and physical properties of those lighting elements proved that existing electrochemical (battery) technology could not sustain a light life to the protracted level specified (Light life of 40 hours duration from one battery pack). Mr. Evans then discovered the newly perfected white light emitting diode that required 90% less energy than its incandescent and fluorescent counterparts to produce optimum light. The diode was established as the model lighting element that could be efficiently serviced by a specially designed circuit board that would moderate the flow of electricity from the battery pack to the diodes thereby extending the life of the energy source ten fold. Although Cyberlux Corporation has not transacted business with PU AN Trading, relations between Mr. Evans, President of Cyberlux and Richard Lin, President of PU AN Trading remain cordial.

The agreement with Research Econometrics, therefore, is on whereby the light design system perfected by Research Econometrics was assigned as the foundation of the newly created Cyberlux Corporation.

Promissory notes were issued to certain officers for loans to the Company for working capital. These Notes are listed as payable upon demand and accrue interest at 12% per annum. Don F. Evans, David D. Downing, Alan H. Ninneman and a former officer loaned \$30,500, \$58,000, \$5,245 and \$5,000, respectively.

The terms of transactions in this section are as fair to the Company as any transactions that could have been made with unaffiliated parties.

As a subsequent event, the Company has contracted to occupy new offices as corporate headquarters at 105 Aviemore Drive Suite 2000, Pinehurst, North Carolina 28374. The lease arrangement is a month to month rental which provides for payment of \$1,795 per month and a security deposit in like amount. The office consists of 1,108 square feet on the second floor of a new building. Facilities include a kitchen,

bath, a large central receiving area, four work station alcoves and a large conference room. The lease commenced on February 15, 2002 and continues month to month unless terminated by either party on 30 days written notice.

Item 13. Exhibits and Reports on Form 8-K.

Part III

Item 1. Index to Exhibits

Exhibit Number Name and/or Identification of Exhibit

- | | |
|----|--|
| 3 | Articles of Incorporation & By-Laws |
| | a. Articles of Incorporation of the Company filed May 17, 2000 * |
| | b. By-Laws of the Company adopted May 19, 2000 * |
| 10 | Material Contracts |
| | a. SCCS Proprietary Product Manufacturing Agreement ** |
| | b. Donald F. Evans Employment Agreement ** |
| | c. Alan H. Ninneman Employment Agreement ** |
| | d. John W. Ringo Employment Agreement ** |
| | e. Hynes, Inc. Agreement ** |
| | f. Robrady Agreement ** |
| | g. TKJ, Inc. Agreement ** |
| | h. ICT, Inc. Agreement ** |
| | i. Research Econometrics Agreement ** |
| | j. OneCap Loan Agreement |
| | k. Working Capital Loans from Officers and Directors |
| | l. 2001 Incentive Stock Option Plan |
| 23 | Consent of Experts and Counsel |
| | Consent of independent public accountant * |

Footnotes:

- * Previously filed with Form 10-SB and incorporated by reference herein.
- * Previously filed with Form 10-SB Amendment No. 1 and incorporated by reference herein.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cyberlux Corporation

By /s/ Donald F. Evans
Donald F. Evans, President & Chairman of the Board

Date April 26, 2002

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Donald F. Evans

Donald F. Evans, President & Chairman of the Board

Date April 26, 2002

By /s/ John W. Ringo

John W. Ringo, Secretary, Corporate Counsel & Director

Date April 26, 2002

By /s/ Alan H. Ninneman

Alan H. Ninneman, Senior Vice President & Director

Date April 26, 2002

By /s/ David D. Downing

David D. Downing, Treasurer & CFO

Date April 26, 2002

Exhibit 10 j.

OneCap Loan Agreement

Loan Agreement

This Loan Agreement (the "Agreement") is made and entered into this 22 day of October 2001 by and between Cyberlux Corporation, a Nevada corporation ("Debtor") and OneCap, a Nevada corporation ("Lender").

WHEREAS, Debtor requires financing for tooling, circuitry, and registration costs associated with the application for public listing of Debtor's common stock; and

WHEREAS, Lender desires to provide such financing, upon the terms and conditions contained within this Agreement.

NOW, THEREFORE, in consideration of the mutual representations, warranties and covenants contained herein, and on the terms and subject to the conditions herein set forth, the parties hereby agree as follows:

ARTICLE I **Definitions**

As used in this Agreement, the following terms shall have the meanings set forth below:

1.1 Closing. "Closing" shall mean the closing of the transaction contemplated by this Agreement, which shall occur at 10:00 a.m., Pacific Standard Time, on the Closing Date in the offices of OneCap, or at such other time and place as shall be mutually agreed in writing by the parties hereto.

1.2 Closing Date. "Closing Date" shall mean October 22, 2001, unless otherwise mutually agreed in writing by the parties hereto.

ARTICLE II
Terms and Conditions of Loan

2.1 Loan. Subject to and upon the terms and conditions contained herein, at the Closing, Lender shall loan to the Debtor the principal sum of ONE HUNDRED SEVENTY THOUSAND DOLLARS (\$170,000.00). The specific uses of the proceeds from said loan, and the specific payees of the proceeds from said loan, shall be attached hereto and incorporated herein by reference at Exhibit A. The loan shall be made to Debtor at the Closing, in exchange for Debtor's execution of a Secured Promissory Note (the "Note"), the form of which is attached hereto and incorporated herein by reference at Exhibit B. The Note shall be secured by such collateral (The "Collateral") as is listed in the List of Collateral, attached hereto and incorporated by reference at Exhibit C.

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2.2 Term of Loan. The term of the loan shall be for twelve (12) months from the date of execution of this Agreement. Lender shall have the option of extending the term for an additional six months, provided that Debtor is not in default. Lender shall give thirty (30) days written notice to Debtor of the exercise of said option, and shall pay Lender an extension fee of EIGHT THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$8,750.00) simultaneous with the exercise of the option.

2.3 Repayment of Loan - Revenue Sharing. Repayment of the loan shall be as fully stated in the Note. Debtor hereby represents and warrants that it will set aside and distribute on the 15th calendar day of each month a minimum of five percent (5%) of all of Debtor's gross revenues during the term of the loan for repayment of the loan until the loan is paid in full. The Debtor shall have the right to prepay the principal amount or any part thereof without penalty at any time.

2.4 Escrow of Collateral. Debtor shall place the Collateral in escrow with Corporate Regulatory Services, LLC (the "Escrow Agent"), to be held pursuant to the terms of an Escrow Agreement, which is entered into on even date herewith and shall be substantially in the form of Exhibit D hereto.

2.5 Late Payment. Any amount that remains unpaid ten calendar days from the date such payment was due shall be subject to an additional charge of FIVE PERCENT (5%) of the then outstanding balance. Debtor unconditionally agrees to pay this late charge without demand.

2.6 Warrants. In addition to the payment terms described above and in the Note, Debtor agrees to issue to Lender warrants to purchase five hundred thousand (500,000) shares of Debtor's common stock at the rate of \$0.001 per share pursuant to the terms of the Warrant Certificate attached hereto as Exhibit E, and incorporated by reference herein.

2.7 Instruments of Closing; Further Assurances.

(a) At the Closing, Lender shall deliver to Debtor:

- I. A bank wire or cashiers check in the amount of \$78,550.00 as enumerated in Exhibit A.; and
- II. Such other instrument or instruments as shall be necessary or appropriate, as Debtor shall reasonably request.

(b) At the Closing, Debtor shall deliver to Lender:

- I. The Note, in the form attached at Exhibit B hereto, fully executed by Debtor;
- II. The Escrow Agreement, fully executed, in the form attached at Exhibit D hereto;
- III. A fully executed Warrant Certificate, in the form attached at Exhibit E hereto; and
- IV. Such other instrument or instruments as shall be necessary or appropriate, as Lender shall reasonably request.

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2.8 Additional Issuance of Founders Shares: Founders shall not authorize, issue, pledge, promise, or contract for any additional shares of Cyberlux Corporation of behalf of, or for the benefit of, Founders or a related party until this Note has been paid in full

ARTICLE III

Indemnification

3.1 *Debtor's Indemnity*. Subject to the terms of this Section, Debtor hereby agrees to indemnify, defend and hold harmless Lender and its officers, directors, agents, attorneys, accountants and affiliates from and against any and all losses, claims, obligations, demands, assessments, penalties, liabilities, costs, damages, reasonable attorneys' fees and expenses ("Claims") asserted against or incurred by Lender by reason of or resulting from a breach by Debtor of any representation, warranty or covenant contained herein, or in any agreement executed pursuant thereto.

3.2 *Remedies Not Exclusive*. The remedies provided for in this Section shall not be exclusive of any other rights or remedies available by one party against the other, either at law or in equity.

ARTICLE IV **Security Interest**

4.1 *Creation of a Security Interest*. As security for the payment of all amounts due under this agreement, the Note, or any other agreement or instrument executed in connection therewith, Debtor hereby grants to the Lender an undivided security interest in the Collateral.

4.2 *Debtor Obligations*. Debtor shall pay to Lender all amounts due and owing to Lender arising from or in connection with the Agreement, the Note, or any other agreement or instrument executed in connection therewith, in accordance with the terms of the same, when and as the same become due.

4.3 *Default*. The following shall be defined as events of default under this Agreement:

4.3.1 *Nonpayment*. Nonpayment of any amount due under the Note for more than fifteen (15) calendar days from the due date, unless the obligation to pay such amount has been otherwise waived in writing by Lender;

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4.3.2 *Bankruptcy, Insolvency, Liquidation*. Assignment by Debtor for the benefit of creditors, or admission in writing of Debtor's inability to pay her debts as they become due, or filing a voluntary petition in bankruptcy, or adjudication as a bankrupt or insolvent, or filing any petition or answer seeking for herself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or filing any answer admitting or failing to deny the material allegations of a petition filed against her for any such relief, or seeking or consenting to or acquiescing in the appointment of any trustee, receiver or liquidator;

4.3.3 *Transfers and Encumbrance*. If Debtor, without the prior written consent of the Lender, shall have attempted to remove, part possession with, sell, transfer, encumber, or assign the Collateral, or any portion thereof, or the Lender's interest under this Agreement, other than where such improper action is remedied within fifteen (15) days after written notice thereof has been given to Debtor; and

4.3.4 *Seizure*. If any part of the Collateral shall remain subject to any levy, seizure, involuntary assignment, attachment, forfeiture, application or sale for or by any creditor or governmental agency for more than fifteen (15) days;

4.3.4 *Other Events*. If any of the events specifically listed as events of default in the Note occur, they shall be considered events of default under the terms of this Agreement; and

4.3.5 If any representation, warranty, or other affirmation by Borrower is untrue or materially misleading in any respect.

4.4. *Rights of Lender*. Upon the occurrence of any event of default, the Lender shall be entitled to declare the outstanding balance on the Note immediately due and payable. In addition to the right of acceleration granted herein, the Lender shall be entitled to any and all remedies available under the Uniform Commercial Code in effect in the State of Nevada as of the date hereof, as the same may be amended from time to time.

In the event of any default hereunder or in the performance of any of the obligations secured hereby, Lender may exercise any and all of its rights provided hereunder or by law. Without limiting the generality of the foregoing, any Collateral may, at the sole and absolute option of Lender, (i) be sold hereunder, (ii) be sold pursuant to the Nevada Uniform Commercial Code, or (iii) be dealt with by Lender in any other manner provided by statute, law or equity. Without limiting the foregoing, Lender may require Debtor to assemble the Collateral and make it available to Lender

at a place to be designated by Lender. Lender may, in its sole discretion, appoint a third party trustee as the agent of Lender for the purpose of disposition of the Collateral in accordance with the Nevada Uniform Commercial Code. Debtor acknowledges and agrees that a disposition of the Collateral in accordance with Lender's rights and remedies in respect to real property as herein above provided is a commercially reasonable disposition thereof. Debtor acknowledges and agrees that the fact that the price obtained at a private sale may be less than the price which might have been obtained at a public sale does not render a private sale unreasonable even if Lender accepts the first offer received and does not offer the subject property to more than one offered.

ARTICLE V

Termination

5.1 *Termination for Cause*. This Agreement may be terminated prior to Closing upon notice to the other party at any time by a party if any representation or warranty of the other party contained in this Agreement or in any certificate or other document executed and delivered by one party to the other is or becomes untrue or breached in any material respect or if one party fails to comply in any material respect with any covenant or agreement contained herein, and any such misrepresentation, breach or noncompliance is not cured, waived, or eliminated before Closing.

5.2 *Termination Without Cause*. Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated and abandoned at any time without further obligation or liability on the part of any party in favor of any other by mutual consent of Debtor and Lender.

ARTICLE VI

Miscellaneous Provisions

6.1 *Additional Financing; Right of First Refusal*. Borrower will notify Lender of any and all subsequent company financing (including debt or equity), prior to application or upon Borrower's first knowledge of such financing opportunity, and allow Lender to participate equally with any bona fide third parties, exclusive of lines of credit from vendors or suppliers.

6.2 *Production*. Debtor hereby represents and warrants that production of its product will begin as soon as practicable, and that, barring circumstances beyond its control, including but not limited to acts of God, war, civil unrest, labor strikes, or other unforeseen circumstances, and that Debtor shall commence the first commercial sale of its products within 120 days of the Closing Date.

6.3 *Public Listing*. Debtor hereby represents and warrants that it will diligently move forward with its application for public listing of its common stock, and, barring regulatory delays beyond the control of Debtor, Debtor's common stock shall be listed for public quotation on the National Association of Securities Dealers, Inc.'s Over The Counter Bulletin Board within one hundred eighty (180) days from the Closing date.

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6.4 *Conversion*. Lender shall have the unilateral right to have converted the entire amount of principal and interest, or any portion thereof, due and owing to common stock of Debtor. The rate of conversion shall be the lower of \$0.15 per share, or a price per share equal to eighty five percent (85%) of the average daily bid price over the ten preceding trading days prior to the date of conversion. If in the event that Debtor's common stock is not trading on the National Association of Securities Dealers, Inc.'s Over The Counter Bulletin Board or other recognized securities exchange, or if in the event that no bid price has been set, then the rate of conversion shall be \$0.15 per share.

6.5 *Drafting Parties*. Each party executing this Agreement agrees that it has fully participated in the drafting of this Agreement and that no party shall be deemed to be the drafting party of this Agreement. Therefore, subject to applicable law, this Agreement may be amended, modified or supplemented only by a written agreement signed by Debtor and Lender.

6.6 Waiver of Compliance; Consents.

6.6.1 Any failure of any party to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the performance of such obligation, covenant or agreement or who has the benefit of such condition, but such waiver or failure to insist upon strict compliance with such obligation, covenant, or agreement or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

6.6.2 Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent will be given in a manner consistent with the requirements for a waiver of compliance as set forth above.

6.7 Notices. All Notices, requests, demands and other communications required or permitted hereunder will be in writing and will be deemed to have been duly given when delivered by (i) hand; (ii) reliable overnight delivery service; or (iii) facsimile transmission.

If to Debtor, to: 50 Orange Road, P.O. Box 2010, Pinehurst, North Carolina 28374-2010

If to Lender, to: 5450 W. Sahara, 2nd Floor, Las Vegas, Nevada 89146

6.8 Titles and Captions. All section titles or captions contained in this Agreement are for convenience only and shall not be deemed part of the context nor effect the interpretation of this Agreement.

6.9 Entire Agreement. This Agreement contains the entire understanding between and among the parties and supersedes any prior understandings and agreements among them respecting the subject matter of this Agreement.

6.10 Agreement Binding. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

6.11 Attorneys' Fees. In the event an arbitration, suit or action is brought by any party under this Agreement to enforce any of its terms, or in any appeal therefrom, it is agreed that the prevailing party shall be entitled to reasonable attorneys fees to be fixed by the arbitrator, trial court, and/or appellate court.

6.12 Computation of Time. In computing any period of time pursuant to this Agreement, the day of the act, event or default from which the designated period of time begins to run shall be included, unless it is a Saturday, Sunday or a legal holiday, in which event the period shall begin to run on the next day that is not a Saturday, Sunday or legal holiday.

6.13 Pronouns and Plurals. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

6.14 Governing Law. **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA. THE PARTIES AGREE THAT ANY LITIGATION RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT MUST BE BROUGHT BEFORE AND DETERMINED BY A COURT OF COMPETENT JURISDICTION WITHIN CLARK COUNTY, NEVADA.**

6.15 Presumption. This Agreement or any Section thereof shall not be construed against any party due to the fact that said Agreement or any section thereof was drafted by said party.

6.16 Further Action. The parties hereto shall execute and deliver all documents, provide all information and take or forbear from all such action as may be necessary or appropriate to achieve the purposes of the Agreement.

6.17 Parties in Interest. Nothing herein shall be construed to be to the benefit of any third party, nor is it intended that any provision shall be for the benefit of any third party.

6.18 Savings Clause. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is

held invalid, shall not be affected hereby.

6.19 Confidentiality. The parties shall keep this Agreement and its terms confidential, but any party may make such disclosures as it reasonably considers are required by law or necessary to obtain financing. In the event that the transactions contemplated by this Agreement are not consummated for any reason whatsoever, the parties hereto agree not to disclose or use any confidential information they may have concerning the affairs of other parties, except for information which is required by law to be disclosed. Confidential information includes, but is not limited to, financial records, surveys, reports, plans, proposals, financial information, information relating to personnel contracts, stock ownership, liabilities and litigation.

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6.20 Costs, Expenses and Legal Fees. Whether or not the transactions contemplated hereby are consummated, each party hereto shall bear its own costs and expenses (including attorneys' fees), except as set forth in the Escrow Agreement.

6.21 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effecting during the term hereof, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid and unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in nature in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

6.22 Counterparts and Facsimile Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. For purposes of this Agreement, facsimile signatures shall be treated as originals until such time that applicable pages bearing non-facsimile signatures are obtained from the relevant party or parties.

6.23 Inducement for Loan. To induce Lender to make the Loan, Borrower hereby represents and warrants to Lender that except as otherwise disclosed to Lender in writing (a) Borrower has complied with any and all laws and regulations concerning its organization, existence and the transaction of its business, and has the right and power to own the patents, or patents pending, and to produce the inventory as contemplated in this Agreement and the other Loan Documents; (b) Borrower is authorized to execute, deliver and perform all of its obligations under the Loan Documents; (c) the Loan Documents are valid and binding obligations of Borrower; (d) Borrower is not in violation of any law, regulation or ordinance, or any order of any court or governmental authority, and no provision of the Loan Documents violates any applicable law, any covenants or restrictions affecting the plans or patents, any order of any court or governmental authority or any contract or agreement binding on Borrower; (e) to the extent required by applicable law, Borrower has filed all necessary tax returns and reports and have paid all taxes and governmental charges thereby shown to be owing; (f) the Financial Statements for

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Borrower delivered to Lender are true, correct, and complete in all material respects, and there has been no material change of Borrower's financial condition from the financial condition of Borrower indicated in such Financial Statements; (g) Borrower owns, free and clear of any liens and encumbrances, in its own name, all Collateral, and owns all licenses, and rights, including without limitation, all intellectual property rights, of or relating to, or arising from the Collateral; (h) Borrower owns, without any lien or encumbrance, all of the stock which is a part of the Collateral, or subject to the Warrant, and no other person or entity has any right or interest in or to any of the foregoing.

6.24 Debtor to Provide Information. Furthermore, Borrower will, upon Lender's reasonable request, (a) promptly correct any defect, error or omission in any Loan Document; (b) execute, acknowledge, deliver, procure, record or file such further instruments and do such further acts as Lender deems necessary, desirable or proper to carry out the purposes of the Loan Documents and to identify and subject to the liens and security interest of the Loan Documents any property intended to be covered thereby, including any renewals, additions, substitutions, replacements, or appurtenances to the Property; (c) execute, acknowledge, deliver, procure, file or record any document or instrument Lender deems necessary, desirable, or proper to protect the liens or the security interest under the Loan Documents against the rights or interests of third persons; and (d) provide such certificates, documents, reports, information, affidavits and other instruments and do such further acts deemed necessary, desirable or proper by Lender to comply with the requirements of any agency having jurisdiction over Lender.

IN WITNESS WHEREOF, the parties hereto have set their hands this 22 day of October, 2001

ONECAP, a Nevada corporation
("Lender")

by: /s/ Vincent Hesser
Vincent Hesser, President

Exhibit a

Use of Proceeds

Use of Proceeds

<u>Use</u>	<u>Amount</u>	<u>Payee</u>
*Industrial Design	\$ 12,400	Robrady Design, Inc.
*Engineering Circuitry	\$ 15,000	TKJ Inc.
*Tooling single cavity molds initial pmt	\$ 13,000	ICT Inc.
**Tooling single cavity molds final pmt	\$ 12,500	ICT Inc. (Cyberlux)
*Registration -Preparation of the Form 10-SB and Form 211, only. Fee does not include "Additional Expenses" under the Contract or other disbursements.	\$ 16,000	CRS
*Audit	\$ 4,000	Beckstead and Watts
*Six (6) months pre-paid interest at 13%	\$ 11,050	OneCap
*Loan Fee	\$ 17,500	OneCap
*Estimated Legal/Closing	\$ 2,500	OneCap
**Circuitry Production Software	\$ 14,000	Controls Inc. and TKJ Inc. (Cyberlux)
Operating Capital/Equipment/G&A	\$ 52,050	Cyberlux et al
Total Use of Funds	\$ 170,000	

** Cyberlux has the right to reallocate cost savings in these categories upon proof to lender that work has been completed Cyberlux disbursed remaining proceeds (\$78,550.00)

Exhibit b

Secured Promissory Note

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SECURED PROMISSORY NOTE

October 22, 2001
\$170,000
Las Vegas, NV

FOR VALUE RECEIVED, the undersigned, Cyberlux Corporation, a Nevada Corporation (the "Borrower"), promises to pay to OneCap, Inc., a Nevada Corporation ("Lender"), the principal sum of One Hundred Seventy Thousand Dollars (\$170,000 USD) with interest on the principal balance and on any remaining unpaid balance as hereinafter provided (The "Loan").

This Secured Promissory Note ("Instrument") is payable on the following terms and conditions:

1. Payment Terms. Upon the closing, Borrower shall pay Lender the first six (6) months of payments in advance and the remaining unpaid balance of this Instrument shall then accrue interest during the first six (6) months of the term and no additional payment of principal or interest shall be due during the first six (6) months. The unpaid balance of this Instrument shall bear interest at a rate of thirteen (13%) simple interest per annum for the term of this Instrument.

Borrower hereto agrees to pay Lender on or before the fifteenth (15th) day of the month for the next six (6) months (the seventh through the twelfth months), the minimum of \$1,841.67 per month in accrued interest or 5% of gross revenues, whichever is greater.

Thereafter, the remaining principal balance may be paid in full or if extended, amortized over the next six (6) months after payment of the Loan Extension Fee in the amount of \$8,750. Borrower agrees to pay Lender on or before the fifteenth (15th) day of the month for the extended six (6) months, the minimum of the amortized amount per month or 5% of gross revenues, whichever is greater.

If any default occurs in the payment of any installment under this Instrument and if the default is not cured within fifteen (10) calendar days after the due date thereof, or not cured by the terms of this Agreement, Lender shall have the option to declare the entire amount due and owing, payable in full, without notice. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

The Borrower waives demand, notice, protest, and diligence and further promises that if this Instrument is not fully paid as above provided, the Borrower will pay all costs and expenses, including a reasonable attorney's fee, that may be incurred in collecting the Loan or any part thereof.

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The Borrower shall have the right to prepay the principal amount or any part thereof without penalty at any time.

If payment of this Instrument or any portion thereof shall not be made at maturity and any action is brought to enforce collection thereof, the undersigned agrees to pay reasonable attorney's fees and all expenses in such action.

The undersigned hereby authorizes any attorney at law to appear in any court of record in the State of Nevada, or any other state in the United States, on default in the payment of any installment due on the above obligation, and waive the issuance and service of process, and confess a judgment against the undersigned in favor of the holder for the amount of the note, together with costs of suit and reasonable attorneys' fees, and to release all errors and waive all right of appeals.

Lender is not required to rely on collateral for the payment of this note in the event of default by the undersigned, but may proceed directly against the undersigned in such manner as Lender deems desirable. None of the rights and remedies of Lender hereunder are to be waived or affected by the failure to delay to exercise any or all of them. All remedies conferred on a holder of this Instrument or any other instrument or agreement shall be cumulative, and none is exclusive. Such remedies may be exercised concurrently or consecutively at the holder's option. This Instrument may be extended for a period of six (6) months according to the terms, conditions and provisions of this Instrument.

2. Fixed Interest. The unpaid principal balance of the instrument from time to time outstanding shall bear simple interest (the "Fixed Interest"), until this Instrument shall have been paid in full, at the rate of thirteen percent (13%) per annum. All accrued unpaid Fixed Interest shall be due and payable monthly on the fifteenth (15th) of each month, commencing on the signing of this Agreement. BORROWER HAS PREPAID FIRST 6 MONTHS OF INTEREST AND ACKNOWLEDGES THAT THE FIRST THREE MONTHS ARE FULLY EARNED BY LENDER AND NONREFUNDABLE IN ANY EVENT OR REPAYMENT.

3. Security. This Instrument, and each of the obligations of the Borrower provided herein, is secured by the assets of the Borrower, both tangible and intangible. Borrower hereby transfers and assigns to Lender all of Borrower's right, title and interest, (but not its liability), in, under, and to all design and production contracts, and any and all plans and patents, and agrees that all of the same are covered by the collateral agreement provisions. Borrower agrees to deliver to Lender from time to time upon Lender's request such consents to the foregoing assignment from parties contracting with Borrower as Lender may require. Neither this assignment nor any action by Lender shall constitute an assumption by Lender of any obligation under any contract or with respect to the production, Borrower hereby agrees to perform all of its obligations under any contract, and Borrower shall continue to be liable for all obligations of Borrower with respect thereto. Borrower shall transfer as collateral for security for payment of this or any other liability to Lender due or to become due, or that may be hereafter incurred, property listed in Exhibit C. On Borrower's failure to comply with the terms of this obligation, Lender shall have full power and authority in case of such default or of the nonpayment of any of the liabilities above-mentioned, to sell, assign and deliver all, or any part of such collateral or any substitutes therefor or additions thereto at any broker's board or at public or private sale, at Lender's option, at any time thereafter upon advertisement or notice to Borrower, and with the right on Lender's part to purchase the collateral at such sale without any right of redemption on Lender's part. After deducting all costs and expenses for collection, sale, delivery, including legal expenses, Lender shall be entitled to apply the remaining proceeds of such sale or sales to pay any of Lender's liabilities to remaining proceeds of such sale or sales to pay any of Borrower's liabilities to Lender and return any surplus to the Borrower. In the event of any deficiency, the Borrower will remain liable for such amount.

4. Financial Statements . Borrower shall deliver to Lender the Financial Statements and other statements and information at the times and for the periods described in (a) the Loan Agreement and (b) any other Loan Document or security instrument, and Borrower shall deliver to Lender from time to time such additional financial statements and information, agreement, or instrument as Lender may at any time request. Borrower will make all of its books, records and accounts available to Lender and its representatives upon request and will permit them to review and copy the same. Borrower shall promptly notify Lender of any material adverse change in the financial condition of Borrower, or in the progress of the production of inventory.

Borrower shall provide or cause to be provided to Lender all of the following:

(a) Audited Financial Statements of Borrower for each fiscal year of such reporting party, as soon as reasonably practicable and in any event within ninety (90) days after the close of each fiscal year, and Unaudited Financial Statements of Borrower for each month of such reporting party, as soon as reasonably practicable and in any event within thirty (30) days after the close of each month.

(b) Copies of filed federal and state income tax returns of Borrower each taxable year, within thirty (30) days after filing but in any event not later than November 15 of each year. If any tax return is not filed on or before such initial due date, a copy (ies) of the IRS extension form(s) (reflecting the approval when required for the extension) must also be provided to Lender.

(c) From time to time promptly after Lender's request, such additional information, reports and statements respecting the patents, inventory, or the business operations and financial condition of each reporting party, as Lender may reasonably request.

All Financial Statements shall be in form and detail satisfactory to Lender and shall contain or be attached to the signed and dated written certification of the reporting party in form specified by Lender to certify that the Financial Statements are furnished to Lender in connection with the extension of credit by Lender and constitute a true and correct statement of the reporting party's financial position. All certifications and signatures on behalf of corporations, partnerships or other entities shall be by a representative of the reporting party satisfactory to Lender. All Financial Statements for a reporting party who is an individual shall be on Lender's then-current personal financial statement form or in another form satisfactory to Lender. All fiscal year-end Financial Statements shall be audited and certified, without any qualification or exception not acceptable to Lender, by independent certified public accountants acceptable to Lender, and shall contain all reports and disclosures required by generally accepted accounting principles for a fair presentation.

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5. Costs and Expenses. Without limiting any Loan Document and to the extent not prohibited by applicable laws, Borrower shall pay when due, shall reimburse to Lender on demand and shall indemnify Lender from, all reasonable out-of-pocket fees, costs, and expenses paid or reasonably incurred by Lender in connection with the negotiation, preparation and execution of this Agreement and the other Loan Documents (and any amendments, approvals, consents, extensions, waivers and releases requested, required, proposed or done from time to time), or in connection with the collection of the Loan or the enforcement of the obligations of Borrower or the exercise of any right or remedy of Lender, including (a) all fees and expenses of Lender's outside legal counsel; (b) fees and charges of each consultant, inspector and engineer; (c) title insurance charges and premiums; (d) title search or examination costs, including abstracts, abstractors' certificates and uniform commercial code searches; (e) judgment and tax lien searches for Borrower; (f) escrow fees; (g) fees and costs of environmental investigations site assessments and remediations; (h) recordation taxes, documentary taxes, transfer taxes and mortgage taxes; (i) filing and recording fees; and (j) loan brokerage fees. Borrower shall pay all reasonable costs and expenses reasonably incurred by Lender, including attorneys' fees, if the obligations or any part thereof are sought to be collected by or through any collection proceeding including, without limitation, an attorney at law, whether or not involving probate, appellate, administrative or bankruptcy proceedings. Borrower shall pay all reasonable costs and expenses of complying with the Loan Documents, whether or not such costs and expenses are included in the use of funds. Borrower's obligations under this Section shall survive the delivery of the Loan Documents, the making of advances, the payment in full of the obligations, the release or reconveyance of any of the Loan Documents, any bankruptcy or other debtor relief proceeding, and any other event whatsoever.

6. Late Charge. Borrower acknowledges that late payment to Lender will cause Lender to incur costs not contemplated by this Instrument. Such costs include, without limitation, processing and accounting charges. Therefore, if any payment due and payable to Lender under this Instrument is not received by Lender within ten (10) days from the due date, Borrower shall pay to Lender an additional sum of five percent (5%) of the overdue amount as a late charge. Borrower acknowledges that this late charge represents a reasonable sum considering all of the circumstances existing on the date of the Instrument and represents a fair and reasonable estimate of the cost that Lender will incur by reason of late payment. Borrower further acknowledges that proof of actual damages would be costly or inconvenient to both parties. Acceptance of any late charge shall not constitute a waiver of the default with respect to the overdue amount and shall not prevent Lender from exercising any of the other rights and remedies available to Lender under the Instrument or otherwise. If the payment required by this provision is found to constitute interest notwithstanding the contrary intention of Borrower and Lender, then such payment shall be subject to the provisions in this Instrument regarding legal interest limitations.

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7. Notice to Lender. Within ten (10) days after Borrower first has knowledge of the occurrence of any of the following events, Borrower shall notify Lender in writing thereof, specifying in each case the action Borrower has taken or will take with respect thereto: (a) any violation of any law or governmental requirement; (b) any litigation, arbitration or governmental investigation or proceeding instituted or threatened against Borrower, and any material development therein; (c) any notice for the non-payment of taxes in relation to the company, inventory, suppliers, or employees; (d) any labor controversy pending or threatened against Borrower or any supplier, and any material development in any labor controversy; (e) any notice received by Borrower with respect to the cancellation, alteration or non-renewal of any insurance coverage maintained; (f) any failure by Borrower or any supplier to perform any material obligation under any contract, any event or condition which would permit termination of a contract or suspension of work thereunder, or any notice given by Borrower or any supplier with respect to any of the foregoing; (g) any lien filed against the Company or any stop notice served on Borrower in connection with production of inventory; or (h) any required permit, license, certificate or approval with respect to any patents owned or held by Borrower or any affiliate, plans, or company operations, lapses or ceases to be in full force and effect.

8. Transfer. Lender may sell or offer to sell the Loan or interests therein to one or more assignees or participants. Lender may disseminate any information it now has or hereafter obtains pertaining to the Loan, including any security for the Loan and credit or other information on the Borrower, any of Borrower's principals and any guarantor, to any actual or prospective assignee or participant, to Lender's affiliates, and to any regulatory body having jurisdiction over Lender, provided Lender shall use good faith efforts to cause any such person to execute a written confidentiality agreement as to Borrower's and Borrower's principals, or the guarantor's, as the case may be, information. Borrower shall execute, acknowledge, and deliver any and all instruments reasonably requested by Lender in connection therewith, and to the

extent, if any, specified in any such assignment or participation, such assignee(s) or participant(s) shall have the rights and benefits with respect to the Loan Documents as such person(s) would have if such person(s) were Lender hereunder.

10. Default. The occurrence of any of the following events shall be an "Event of Default" under this Note:

- A. Any failure to make a timely payment of principal or interest due under this Instrument; or
- B. Failure of Borrower to set aside, and deliver to Lender on a monthly basis by the 15th calendar day of each month, a schedule of company revenues along with the minimum payment due or the minimum of 5% of total revenues, whichever is greater; or
- C. If Borrower shall have any tax lien filed against it, and the same is not bonded or discharged within 45 days; or
- D. If Borrower shall become insolvent; make an assignment for the benefit of creditors; or
- E. If a receiver, custodian or trustee shall be appointed for Borrower's assets; or
- F. If there shall be filed by or against Borrower any petition or application for relief under the Bankruptcy Code; or
- G. If Borrower shall, without Lender's prior written consent, which consent may be withheld at Lender's sole discretion, sell, assign, transfer or otherwise convey any interest to all or any part of the assets or property of the Borrower to any party with the exception of standard bank borrowing for inventory and/or receivable factoring; or
- H. Any covenant, agreement, condition, representation or warranty in this Agreement (other than covenants to pay the Indebtedness and other than Defaults expressly listed in this Section) is not fully and timely performed, observed or kept within fifteen (15) days after written notice from Lender, including use of funds not in accordance with Exhibit A of the Loan Agreement; or
- I. Failure to obtain inventory and commence sales of product within 120 days of the date of this Instrument, barring unavoidable delays out of the control of Borrower; or

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- J. Any required permit, license, certificate or approval with respect to the Borrower, patents, or plans lapses or ceases to be in full force and effect and is not reinstated within thirty (30) days; or
 - K. The entry of a judgment against Borrower or the issuance of any attachment, sequestration, or similar writ levied upon any of its property which is not discharged within a period of thirty (30) days; or
 - L. The dissolution or insolvency of Borrower; or
 - M. Any breach or default (after taking into consideration applicable notice, grace and cure periods) by Borrower of any duty, obligation, covenant, representation or warranty contained herein.

10.1 Based on certain monetary and non-monetary provisions, the Lender upon the occurrence of any Event of Default, at the option of Lender, the entire principal balance and all accrued unpaid interest and any other amounts due to Lender by Borrower shall at once become due and payable, without presentment, demand, protest, notice or any grace period. Borrower will be afforded a ten (10) day opportunity to cure said defaults under sections 10.a, b, c, g, h, i, j, k, and m.

10.2 Upon any event of Default, Lender at its election may (but shall not be obligated to), without notice, do any one or more of the following: (a) terminate its commitment to lend and any obligation to disburse any additional funds hereunder; (b) terminate any obligation to extend any other credit to or for the account of Borrower; (c) reduce any claim to judgment; (d) exercise any and all rights and remedies afforded by this Instrument, any other loan documents or security instrument, law, equity or otherwise, including obtaining appointment of a receiver (to which Borrower hereby consents); (e) in its own name or in the name of Borrower, enter into possession of the plans, patents, contracts and all other collateral security (including any and all security listed on Exhibit C to the Loan Agreement), perform all work necessary to complete the inventory substantially in accordance with the plans or patents (as modified as deemed necessary by Lender), the loan documents, and all applicable laws, governmental requirements and restrictive covenants, and continue to employ Borrower's engineer and any supplier pursuant to the applicable contracts or otherwise; (f) set-off and apply, to the extent thereof and to the maximum extent permitted by law, any and all deposits, funds, or assets at any time held and any and all other indebtedness at any time owing by Lender to or for the credit or account of Borrower against any Indebtedness; or (g) cause the Board of Directors of Cyberlux to call a special shareholders meeting, with 10 day notice, as set forth in the corporate Bylaws, section 2.

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10.3 The failure to exercise the foregoing option upon the happening of one or more of the foregoing Events of Default shall not constitute a waiver of the right to exercise the same at any subsequent time in respect of the same Event of Default or any hereunder which is late or is less than the payment in full of all amounts due and payable at the time of such payment shall not (i) constitute a waiver of the right to exercise the foregoing option at the time or at any subsequent time or nullify any prior exercise of such option, (ii) constitute a waiver of the right to receive timely payments in the future, or (iii) constitute a waiver of the right to receive payment in full of all amounts due and payable at the time of such payment. No delay or omission on the part of Lender to exercise any option for acceleration of the maturity of the Indebtedness, or any other option granted to Lender hereunder in any one or more instances, or the acceptances by Lender of any partial payment on account of the Indebtedness, shall constitute a waiver of any such default, and each such option shall remain continuously in full force and effect. No remedy herein conferred upon or reserved to Lender is intended to be exclusive of any other remedies provided for in the Note or any of the other Loan Documents, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or under the Note or any of the other Loan Documents, or now or hereafter existing at law or in equity or by statute. Every right, power and remedy given to Lender by this Agreement, the Note or any of the other Loan Documents shall be concurrent, and may be pursued separately, successively or together against Borrower, or the Property or any part thereof, or any personal property granted as security under the Loan Documents, and every right, power and remedy given by this Agreement, the Note or any of the other Loan Documents may be exercised from time to time as often as may be deemed expedient by Lender.

Lender shall have the right at any time (but shall have no obligation) to take in its name or in the name of Borrower such action as Lender may determine to be necessary to cure any default under any contract or with respect to the plans and patents or to protect the rights of Borrower or Lender with respect thereto.

11. Collection Cost. If this Instrument is not paid when due, whether at maturity or by acceleration, or if it is collected through a bankruptcy, probate or other court, whether before or after maturity, or if any Event of Default occurs, Borrower agrees to pay all costs of enforcement or collection incurred by the holder hereof including, but limited to, reasonable legal fees and costs, whether or not any action or proceeding is brought or any notice of default or notice of sale is given or filed for recording to enforce the provisions hereof, or of any loan agreement or other instrument evidencing, securing or pertaining to the indebtedness evidenced hereby.

12. Indemnification. Borrower hereby agrees to indemnify, defend, and hold Lender harmless against and from any loss, cost, liability or expense (including, but not limited to, consultants' fees and expenses and attorneys' fees and expenses) incurred in connection with Borrower's failure to perform such contracts or any action taken by Lender excluding, however, any such loss, cost, expense or liability attributable to the gross negligence of Lender. Borrower represents and warrants to Lender that the copy of any contract furnished or to be furnished to Lender is and shall be a true and complete copy thereof, that the copies of the plans or patents delivered to Lender are and shall be true and complete copies, that there have been no modifications thereof which are not fully set forth in the copies delivered, and that Borrower's interest therein is not subject to any claim, setoff, or encumbrance.

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13. Prepayment. Borrower shall be entitled to prepay this Instrument in whole or in part at any time and from time to time without premium or penalty provided that any prepayment shall be applied first to the payment of accrued interest and next to the payment of any remaining principal.

14. Severable Provisions. Every Provision of this Instrument is intended to be severable. If any term or provision hereof is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity, or unenforceability shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

15. Applicable Law. This Instrument shall be governed by and construed in accordance with the laws of the State of Nevada.

16. Mandatory Arbitration. Any controversy or claim between or among the parties hereto including but not limited to those arising out of or relating to this Agreement or any related agreements or instruments, including any claim based on or arising from an alleged tort, shall be determined by binding arbitration in accordance with the Federal Arbitration Act (or if not applicable, the applicable state law) conducted in Las Vegas, Nevada.

17. Successors and Assigns. This Agreement shall be binding upon Borrower, and Borrower's heirs, devisees, representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns; provided, however, that Borrower shall not assign, transfer or encumber its rights or obligations under any Loan Document, or any proceeds of the Loan, or its interest in the Property without the prior written consent of Lender

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18. Relationship. Borrower and Lender intend hereby to establish the relationship to debtor and creditor. Nothing contained herein or elsewhere is the Loan Agreement, and its accompanying exhibits, shall be construed to create between Borrower and Lender any other relationship including, without limitation, that of joint venture, equity venture, partnership or other relationship.

BORROWER:

Cyberlux Corporation
By: Don Evans, President

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Exhibit c

Description of Collateral

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Debtor grants Lender, pursuant to the Nevada Uniform Commercial Code, a present and continuing security interest in and to all of the Debtor's assets and personal property which may be listed on Debtor's balance sheet now, or at any time in the future, collateral, goods,

equipment, fixtures, building materials, boilers, materials, appliances, satellite dishes and systems, telecommunications systems (including, without limitation, equipment, facilities and devices), carpeting, telephone systems, office equipment and all other office furnishings, and all plumbing, heating, lighting, ventilating, air-conditioning and sprinkler equipment, televisions and television systems, audio and video systems (including, without limitation, equipment, facilities and devices), computer systems and fixtures, any and all present and future accounts, general tangibles, instruments, inventory, documents and chattel paper, all returned, rejected or repossessed goods, the sale or lease of which shall have given or shall give rise to an account or chattel paper, Debtor's books and records in whatever media (paper, electronic or otherwise) recorded or stored, with respect to any of the foregoing and all equipment and general intangibles necessary or beneficial to retain, access and/or process the information contained in those books and records, now or hereafter affecting or relating to Debtor's business or any part thereof, leases (including equipment leases), rental agreements, sales contracts, management contracts, franchise and related agreements, construction contracts, architects contracts, technical services agreements, licenses and permits, receivables, customer obligations, installment payment obligations and other obligations now existing or hereafter arising or created out of or in connection with Debtor's business or acquired from others including, without limiting the generality of the foregoing, wholesale and retail sales of merchandise or goods, service charges, and proceeds (if any) from business interruption or other loss of income insurance, the Debtor's right, title and interest in all royalties, license fees and other income or proceeds derived from trademarks, trademark applications, patents, patent applications, the registrations therefor (and any and all divisions, renewals and continuations thereof, and all Letters of Patent of the United States which may be granted thereon and all reissues and extensions thereof, and all rights of priority under International Conventions and applications for Letters of Patent which may hereafter be filed for said improvements in any country or countries foreign to the United States and all extensions, renewals and reissues thereof), the goodwill of the business symbolized by the same, now or hereafter filed, owned or acquired; contract rights, plans, specifications and other similar documents, deposits, general intangibles, accounts, investment property, chattel paper, documents, letter of credit rights and instruments, all escrow accounts or agreements, collection accounts or deposit accounts relating to Debtor's business now maintained or to be established from time to time and any and all certificates or instruments purchased with funds deposited in such account(s), and all renewals of such instruments or certificates and all replacements therefor, whether in the form of certificates of deposit or other instruments, notes, securities or accounts (including, without limitation, money market instruments and accounts) and any other cash or non-cash proceeds of the principal amount of any of the foregoing (including interest and dividends thereon) together with any and all appurtenances, renewals, replacements of, additions to, substitutions for, proceeds of, or articles in substitution whether or not attached to any other property owned or used by Debtor in any manner, and all proceeds and products of any of Debtor's personal property or assets, whether or not a stated on this non-inclusive list of collateral.

In addition to the foregoing, Debtor also grants Lender, pursuant to the Nevada Uniform Commercial Code and any applicable federal, patent or trademark security rules or regulations, a present and continuing security interest in and to the following specific trademark/patent applications:

- A. Provisional Application No. 60/156, 718 filed 09/30/00 by Wilderness Power & Light Company (Cyberlux Corporation) for the "Electrochemical Portable Power Plant and Lighting System"; and
- B. Provisional Application No. 60/224, 783 filed 8/14/2000 by Cyberlux Corporation for the "Cyberlux solid state circuitry diode navigation lights for small craft"; and
- C. Provisional Application 60/283, 898 filed 4/16/2001 by Cyberlux Corporation for the "Cyberlux Storm Light"; and
- D. Provisional Application - NEW - filed 6/29/2001 by Cyberlux Corporation for the "Cyberlux Wireless Interim Lighting System".

In addition to the foregoing, Debtor also grants Lender, pursuant to the Nevada Uniform Commercial Code and any applicable federal, security rules or regulations, a present and continuing security interest in and to the following shares of common stock of Cyberlux, to be held in escrow in accordance with Exhibit D of the Loan Agreement:

Stockholder	Number of Shares	Stock Certificate Number
Donald F. Evans	875,000	1001
David D. Downing	400,000	1002
Julian W. King	25,000	1004
John W. Ringo	300,000	1003
Alan H. Ninneman	500,000	1040
Michael E. Kelly	100,000	1029
Scott W. Elliot	300,000	1005
Research Econometrics, LLC	750,000	1016
Richard F. Lawrence, Jr.	15,000	1034

Exhibit d

Escrow Agreement

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Escrow Agreement

This Escrow Agreement (the "Agreement") is entered into this 22 day of October 2001 by and between Cyberlux Corporation, a Nevada corporation (hereinafter referred to as "Debtor"), and Corporate Regulatory Services, LLC, a Nevada Limited Liability Company (hereinafter referred to as "CRS").

RECITALS

WHEREAS, Debtor has entered into a Loan Agreement of even date herewith with OneCap, a Nevada corporation ("Lender"), whereby certain assets of Debtor, a complete description of which is contained at Exhibit C to the Loan Agreement (the "Collateral"), shall be held in escrow to secure the repayment of said loan; and

WHEREAS, Debtor desires to utilize CRS as the Escrow Agent required under the terms of the Loan Agreement.

NOW, THEREFORE, Debtor and CRS hereby agree as follows:

1. Escrow of Collateral. The Collateral shall be placed directly into the custody and control of CRS. CRS shall continue to hold the Collateral in escrow until such time as Break of Escrow occurs, as defined in Paragraph 2 below. CRS agrees and acknowledges that this agreement and the escrow held by it pursuant to the terms of this agreement is in favor of Lender and for the express benefit of Lender, or its assigns, as described in the Loan Agreement.

2. Break of Escrow. The occurrence of any of the following events shall be a "break of escrow", and CRS shall break escrow as indicated:

- 2.1 If CRS receives joint written notification from Debtor and Lender that the obligations of the Note have been satisfied in full, CRS shall return the Collateral to Debtor.
- 2.2 If CRS receives notification from Lender of Default, CRS shall, unless a court of competent jurisdiction orders it otherwise, release the Collateral to Lender providing receipt of evidence reasonably satisfactory to CRS that Borrower has been notified (if applicable, in accordance with the Loan Agreement) and was given a right to cure which Borrower failed to satisfy.
- 2.3 If CRS receives joint written notification from Lender and Debtor that the Loan Agreement has been otherwise terminated, CRS shall dispose of the Collateral as directed in the joint written instructions.

3. Duties of Escrow Agent. Except as provided in this Agreement and except for Escrow Agent's willful misconduct or gross negligence, Escrow Agent shall have no liability or obligation with respect to the Escrow Account. Escrow Agent's sole responsibility shall be for the safekeeping, and disbursement of the Escrow Account in accordance with the terms of this Agreement. Although right to ownership of shares will transfer per the terms of this Agreement, any or all "physical" transference or disbursement of Promotional Shares will be made under the conditions and terms of the Promotional Share Escrow Agreement drafted per the request of the Arkansas Securities Division. Escrow Agent shall have no implied duties or obligations and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein. Escrow Agent may rely upon any instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein, which Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by the person or parties purporting to sign the same and to conform to the provisions of this Agreement. In no event shall Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages. Escrow Agent shall not be obligated to take any legal action or commence any proceeding in connection with the Escrow Account, or to appear in, prosecute or defend any such legal action or

proceedings. Escrow Agent may consult legal counsel selected by it in the event of any dispute or question as to the construction of any of the provisions hereof or of any other agreement or of its duties hereunder, and shall incur no liability and shall be fully protected from any liability whatsoever in acting in accordance with the opinion or instruction of such counsel. Debtor shall promptly pay, upon demand, the reasonable fees and expenses of any such counsel.

4. Indemnification. From and at all times after the date of this Escrow Agreement, Debtor shall, to the fullest extent permitted by law and to the extent provided herein, indemnify, defend, and hold harmless Escrow Agent against any and all actions, claims (whether or not valid), losses, damages, liabilities, costs and expenses of any kind or nature whatsoever (including, without limitation, reasonable attorneys' fees, costs and expenses) incurred by or asserted against Escrow Agent from and after the date hereof, whether direct, indirect or consequential, as a result of or arising from or in any way relating to any claim, demand, suit, action or proceeding (including any inquiry or investigation) by any person, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person under any statute or regulation, including, but not limited to, any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance of this Agreement or any transactions contemplated herein, whether or not the Escrow Agent is a party to any such action, proceeding, suit or the target of any such inquiry or investigation; provided, however, that the Escrow Agent shall not have the right to be indemnified hereunder for any liability finally determined by a court of competent jurisdiction, subject to no further appeal, to have resulted solely from the gross negligence or willful misconduct of the Escrow Agent. If any such action or claim which Escrow Agent is entitled to indemnification hereunder shall be brought or asserted against the Escrow Agent, the Escrow Agent shall promptly notify Debtor in writing, and Debtor shall assume the defense thereof, including the employment of counsel and the payment of all expenses. The Escrow Agent shall, in its sole discretion, have the right to employ separate counsel in any such action and to participate in the defense thereof, and the fees and expenses of such counsel shall be paid by the Escrow Agent unless (i) Debtor agrees to pay such fees and expenses, or (ii) Debtor shall fail to assume the defense of such action or proceeding or shall fail, in the reasonable discretion of Escrow Agent, to employ counsel satisfactory to the Escrow Agent in any such action or proceeding, or (iii) the named parties to any such action or proceeding (including any impleaded parties) include both Escrow Agent and Debtor, and Escrow Agent shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to Debtor. All such fees and expenses payable by Debtor pursuant to the foregoing sentence shall be paid from time to time as incurred, both in advance of and after the final disposition of such action or claim. All of the foregoing losses, damages, costs and expenses of Escrow Agent shall be payable by Debtor upon demand by Escrow Agent. The obligations of Debtor under this Section 4 shall survive any termination of this Agreement and the resignation or removal of Escrow Agent. Nothing contained in this Section 4 shall impair, limit, modify or affect the rights of the Lender and Debtor, as between themselves.

5. Resignation of Escrow Agent. Escrow Agent may resign from the performance of its duties hereunder at any time by giving thirty (30) days prior written notice to Debtor and Lender. Such resignation or removal shall take effect upon the appointment of a successor Escrow Agent as provided herein. Upon any such notice of resignation or removal, Debtor and Lender mutually shall agree upon and appoint a successor Escrow Agent hereunder, which shall be a commercial bank, trust company or other financial institution with a combined capital and surplus in excess of \$100,000,000, unless waived by Lender. Upon the acceptance in writing of any appointment as Escrow Agent hereunder by a successor Escrow Agent, such successor Escrow Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Escrow Agent, and the retiring Escrow Agent shall be discharged from its duties and obligations under this Agreement, but shall not be discharged from any liability for actions taken as Escrow Agent hereunder prior to such succession. After any retiring Escrow Agent's resignation or removal, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Agreement.

6. Receipt. By its execution and delivery of this Agreement, Escrow Agent acknowledges receipt of the Escrowed Shares as listed on Exhibit C to the Loan Agreement.

7. Payment of Escrow Fees. Upon execution of this Agreement, Debtor shall pay to CRS the sum of seven hundred fifty dollars (\$750.00) as fees for acting as Escrow Agent.

8. Amendment and Modification . Subject to applicable law, this Agreement may be amended, modified or supplemented only by a written agreement signed by Debtor, Lender, and CRS.

9. Waiver of Compliance; Consents.

9.1 Any failure of any party to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the performance of such obligation, covenant or agreement or who has the benefit of such condition, but such waiver or failure to insist upon strict compliance with such obligation, covenant, or agreement or condition will not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

9.2 Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent will be given in a manner consistent with the requirements for a waiver of compliance as set forth above.

10. Entire Agreement. This Agreement contains the entire understanding between and among the parties and supersedes any prior understandings and agreements among them respecting the subject matter of this Agreement.

11. Agreement Binding. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

12. Attorneys' Fees. In the event an arbitration, suit or action is brought by any party under this Agreement to enforce any of its terms, or in any appeal therefrom, it is agreed that the prevailing party shall be entitled to reasonable attorneys fees to be fixed by the arbitrator, trial court, and/or appellate court.

13. Computation of Time. In computing any period of time pursuant to this Agreement, the day of the act, event or default from which the designated period of time begins to run shall be included, unless it is a Saturday, Sunday or a legal holiday, in which event the period shall begin to run on the next day that is not a Saturday, Sunday or legal holiday.

14. Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA. THE PARTIES AGREE THAT ANY LITIGATION RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT MUST BE BROUGHT BEFORE AND DETERMINED BY A COURT OF COMPETENT JURISDICTION WITHIN CLARK COUNTY, NEVADA.

15. Further Action. The parties hereto shall execute and deliver all documents, provide all information and take or forbear from all such action as may be necessary or appropriate to achieve the purposes of the Agreement.

16. Confidentiality. The parties shall keep this Agreement and its terms confidential, but any party may make such disclosures as it reasonably considers are required by law or necessary to obtain financing. In the event that the transactions contemplated by this Agreement are not consummated for any reason whatsoever, the parties hereto agree not to disclose or use any confidential information they may have concerning the affairs of other parties, except for information which is required by law to be disclosed. Confidential information includes, but is not limited to, financial records, surveys, reports, plans, proposals, financial information, information relating to personnel contracts, stock ownership, liabilities and litigation.

17. Costs, Expenses and Legal Fees. Whether or not the transactions contemplated hereby are consummated, each party hereto shall bear its own costs and expenses (including attorneys' fees).

18. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effecting during the term hereof, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid and unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in nature in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

19. Counterparts and Facsimile Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. For purposes of this Agreement, facsimile signatures shall be treated as originals until such time that applicable pages bearing non-facsimile signatures are obtained from the relevant party or parties.

IN WITNESS WHEREOF, the parties hereto have set their hands this 22 day of October 2001.

Cyberlux Corporation, a
Nevada Corporation ("Debtor")

Corporate Regulatory Services, LLC, a
Nevada Limited Liability Company ("CRS")

by: _____
Donald Evans, President

by: _____
Glen E. Greenfelder, President

Lender consent to terms of this agreement:

OneCap, a Nevada Corporation

by: _____
Vincent Hesser, President

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Exhibit E

Warrant Certificate

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CYBERLUX CORPORATION

INCORPORATED UNDER THE LAWS OF THE STATE OF NEVADA
WARRANT CERTIFICATE

This Warrant Certificate certifies that

OneCap

is the registered holder of

Five Hundred Thousand (500,000)

Warrants (the "Warrants") expiring October 22, 2004, \$0.001 par value per share, of Cyberlux Corporation, a Nevada corporation (the "Company"). Each Warrant entitles the holder to purchase from the Company on or after the date hereof and on or before the close of business on October 22, 2004, one fully paid nonassessable share of Common Stock \$0.001 par value per share, of the Company (the "Shares") at the exercise price (the "Exercise Price") of \$0.001 payable in lawful money of the United States of America upon surrender of this Warrant Certificate and payment of the Exercise Price at the office of the Company, or at such other place as the Company may designate by notice to the Holder, but only subject to the conditions set forth herein.

Holder shall have the right to Exercise the Warrants upon the signing of this Agreement, and if so doing, shall have the right to have the Warrant Shares registered with the Companies initial registration with the SEC.

Holder shall have the right to transfer the rights to purchase Warrants, and if so doing, each holder shall retain any and all rights granted to Warrants.

The Company has the right to call in the Warrant prior to the Warrant's Expiration Date upon thirty (30) days written notice to holder of the warrant should the company obtain a "firm commitment" underwriting agreement.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth at this place.

WITNESS the facsimile seal of the Corporation and the facsimile signature of its duly authorized officers.

DATE: October 22, 2001

Donald Evans, President

John Ringo, Secretary

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants expiring October 22, 2004 to purchase shares of Common Stock, \$0.001 par value per share of the Company.

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Warrants may be exercised to purchase Shares from the Company on or after the date hereof and on or before October 22, 2004, at the Exercise Price set forth on the face hereof. The holder of Warrants evidenced by this Warrant Certificate may exercise them by surrendering the Warrant Certificate, with the form of election to purchase set forth herein properly completed and executed, together with payment of the Exercise Price at the office of the Company. In the event that upon any exercise of Warrants evidenced hereby the number of Warrants exercised shall be less than the total number of Warrants evidenced hereby, there shall be issued to the holder hereof or his assignee a new Warrant Certificate evidencing the number of Warrants not exercised.

Warrant Certificates, when surrendered at the office of any, by the registered holder thereof in person or by legal representative by attorney duly authorized in writing may be exchanged in the manner and subject to the limitations provided in the Warrant Certificate or Warrant Certificates of like tenor evidencing in the aggregate a like number of the Warrants.

Upon due presentation for registration or transfer of this Warrant Certificate at the office of the Company, a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee in exchange for this Warrant Certificate without charge except for any tax or other governmental charge imposed in connection therewith.

The Company and the Company may deem and treat the registered holder hereof as the absolute owner of this Warrant Certificate (notwithstanding any notation of ownership or other writing thereon made by anyone) for the purpose of any exercise of conversion thereof and for all other purposes, and neither the Company nor the Company shall be affected by any notice to the contrary.

Exhibit k.

Working Capital Loans From Officers and Directors

**WORKING CAPITAL LOANS
from
OFFICERS & DIRECTORS**

**12% Demand Notes
Balance as of September 30, 2001**

Donald F. Evans

CYBERLUX CORPORATION

Promissory Note

Date 07/10/00 9; 9; 9; \$6,000.00 9; 9; 9;

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

Donald F. Evans

at 50 Orange Road, Pinehurst, NC 28374

the sum of Six Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 26th day of June in the year 2000.

**/s/ Donald F. Evans
President**

**/s/ David D. Downing
Treasurer**

CYBERLUX CORPORATION

Promissory Note

Date 01/10/01 \$6,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

Donald F. Evans

at 50 Orange Road, Pinehurst, NC 28370

the sum of Six Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 10th day of Jan in the year 2001.

**/s/ Donald F. Evans
President**

**/s/ John W. Ringo
Secretary**

CYBERLUX CORPORATION

Promissory Note

Date 2/5/01 \$3,500.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

Donald F. Evans

at 50 Orange Road, Pinehurst, NC 28370

the sum of Three Thousand Five Hundred & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 5th day of FEB in the year 2001.

/s/ Donald F. Evans
President

/s/ John W. Ringo
Secretary

CYBERLUX CORPORATION

Promissory Note

Date 3 /12/01

\$2,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

Donald F. Evans

at 50 Orange Road, Pinehurst, NC 28370

the sum of Two Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 12th day of March in the year 2001.

/s/ Donald F. Evans
President

/s/ John W. Ringo
Secretary

CYBERLUX CORPORATION

Promissory Note

Date 4/3/01

\$15,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

Donald F. Evans

at 50 Orange Road, Pinehurst, NC 28370

the sum of Fifteen Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 9th day of April in the year 2001.

/s/ Donald F. Evans 9;

/s/ John W. Ringo

President

Secretary

**WORKING CAPITAL LOANS
from
OFFICERS & DIRECTORS**

**12% Demand Notes
Balance as of September 30, 2001**

David D. Downing

CYBERLUX CORPORATION

Promissory Note

Date 3/19/01 9; 9; 9; \$5,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at 100 Country Meadow Drive, Marietta, OH 45750

the sum of Five Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 19th day of March in the year 2001.

**/s/ Donald F. Evans
President**

**/s/ David D. Downing
Treasurer**

CYBERLUX CORPORATION

Promissory Note

Date 3/27/01 \$5,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at 100 Country Meadow Drive, Marietta, OH 45750

the sum of Five Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 27th day of March in the year 2001.

/s/ Donald F. Evans
President

/s/ David D. Downing
Treasurer

CYBERLUX CORPORATION

Promissory Note

Date 4/9/01

\$10,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at 100 Country Meadow Drive, Marietta, OH 45750

the sum of Ten Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 9th day of April in the year 2001.

/s/ Donald F. Evans
President

/s/ David D. Downing
Treasurer

CYBERLUX CORPORATION

Promissory Note

Date 4/17/01

\$5,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at 100 Country Meadow Drive, Marietta, OH 45750

the sum of Five Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 17th day of April in the year 2001.

/s/ Donald F. Evans
President

/s/ David D. Downing
Treasurer

CYBERLUX CORPORATION

Promissory Note

Date 4/17/01

\$5,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at 100 Country Meadow Drive, Marietta, OH 45750

the sum of Five Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 19th day of April in the year 2001.

**/s/ Donald F. Evans
President**

**/s/ David D. Downing
Treasurer**

CYBERLUX CORPORATION

Promissory Note

Date 4/25/01

\$5,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at 100 Country Meadow Drive, Marietta, OH 45750

the sum of Five Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 25th day of April in the year 2001.

**/s/ Donald F. Evans
President**

**/s/ David D. Downing
Treasurer**

CYBERLUX CORPORATION

Promissory Note

Date 5/16/01

\$5,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at 100 Country Meadow Drive, Marietta, OH 45750

the sum of Five Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 16th day of May in the year 2001.

/s/ Donald F. Evans
President

/s/ David D. Downing
Treasurer

CYBERLUX CORPORATION

Promissory Note

Date 5/22/01

\$5,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at 100 Country Meadow Drive, Marietta, OH 45750

the sum of Five Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 22th day of May in the year 2001.

/s/ Donald F. Evans
President

/s/ David D. Downing
Treasurer

CYBERLUX CORPORATION

Promissory Note

Date 6/05/01

\$3,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at 100 Country Meadow Drive, Marietta, OH 45750

the sum of Three Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 5th day of June in the year 2001.

/s/ Donald F. Evans

/s/ David D. Downing

President

Treasurer

CYBERLUX CORPORATION

Promissory Note

Date 7/9//01

\$4,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

David D. Downing

at **100 Country Meadow Drive, Marietta, OH 45750**

the sum of Four Thousand & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 11th day of July in the year 2001.

/s/ Donald F. Evans
President

/s/ David D. Downing
Treasurer

WORKING CAPITAL LOANS

from

OFFICERS & DIRECTORS

12% Demand Notes

Balance as of September 30, 2001

Alan H. Ninneman

CYBERLUX CORPORATION

Promissory Note

Date 3/5/01

\$4,500.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

Alan H. Ninneman

at **17 Barberry Court, Corrales, NM 80748**

the sum of Four Thousand Five Hundred & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 5th day of March in the year 2001.

/s/ Donald F. Evans
President

/s/ Alan H. Ninneman
Senior Vice President

CYBERLUX CORPORATION

Promissory Note

Date 3/31/01

\$745.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

Alan H. Ninneman

at 17 Barberry Court, Corrales, NM 80748

the sum of Seven Hundred Forty Five & No/100 Dollars, with interest accrued thereon at 12% interest per annum, On Demand. This short-term debt transaction is approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 31th day of March in the year 2001.

/s/ Donald F. Evans
President

/s/ Alan H. Ninneman
Senior Vice President

WORKING CAPITAL LOANS

from

OFFICERS AND DIRECTORS

12% Demand Notes

Balance as of September 30, 2001

Mike Kelly

CYBERLUX CORPORATION

Promissory Note with Stock Purchase Warrant Attached

Date 6/15/00

\$5,000.00

FOR VALUE RECEIVED Cyberlux Corporation promises to pay to the order of

Mike Kelly

at 6306 Ridgcrest Drive, Little Rock, AR 72205

the sum of Five Thousand & No/100 Dollars, with interest accrued thereon at 10% interest per annum, on or before July 31, 2000 and recognizes entitlement of the bearer of this note, upon presentment of the attached warrant certificate at the offices of the Company, to an option (warrant) to purchase up to 25,000 shares of Cyberlux common stock at 10/100 Dollars on or before July 31, 2001. This note and warrant entitlement approved by the Directors of Cyberlux Corporation as evidenced by signature of the undersigned on this 15th day of June in the year 2000.

**/s/ Donald F. Evans
President**

**/s/ Julian W. King
Vice President**

Exhibit I.

2001 Incentive Stock Option Plan

**CYBERLUX CORPORATION
INCENTIVE STOCK OPTION PLAN**

1. Purpose

The purpose of this Incentive Stock Option Plan (the "Plan") is to secure for Cyberlux Corporation (the "Corporation") and its stockholders the benefits which flow from providing corporate officers and managerial employees with the incentive inherent in common stock ownership. It is generally recognized that stock option plans aid in retaining competent executives and furnish a device to attract executives of exceptional ability to the Corporation because of the opportunity offered to acquire a proprietary interest in the business. The stock options granted under the Plan are intended to qualify as incentive stock options within the meaning of Internal Revenue Code Section 422.

2. Amount of Stock.

The total number of shares of Common Stock to be subject to options granted on or after May 31, 2001 pursuant to the Plan shall not exceed 600,000 shares of the Corporation's Common Stock of the par value of \$.0001 each. This total number of shares shall be subject to appropriate increase or decrease in the event of a stock dividend upon, or a subdivision, split-up, combination or reclassification of, the shares purchasable under such options. In the event that options granted under this Plan shall lapse without being exercised in whole or in part, other options may be granted covering the shares not purchased under the lapsed options.

3. Stock Option Committee.

The Board of Directors shall from time to time appoint a Stock Option Committee (the "Committee") to serve under this Plan. The Committee shall consist of three or more directors.

4. Eligibility and Participation.

Options may be granted pursuant to the Plan to corporate officers and managerial employees. From time to time, the Committee shall select the officers and managerial employees to whom options may be granted by the Board of Directors and shall determine the number of shares to be covered by each option to be granted. Future as well as present officers and managerial employees (including officers and managerial employees who are directors but who are not members of the Committee) shall be eligible to participate in the Plan. No option may be granted under the Plan after May 31, 2010.

5. Option Agreement.

The terms and provisions of options granted pursuant to the Plan shall be set forth in an agreement, herein called Option Agreement, between the Corporation and the employee receiving the same. The Option may be in such form, not inconsistent with the terms of this Plan, as shall be approved by the Board of Directors.

6. Price.

The purchase price per share of Common Stock purchasable under options granted pursuant to the Plan shall not be less than 85 percent of the fair market value at the time the options were granted. The purchase price per share of Common Stock purchasable under options granted pursuant to this Plan to a person who owns more than 10 percent of the voting power of the Corporation's voting stock shall not be less than 110 percent of the fair market value of such shares, at the time the options were granted.

For the purposes of the preceding sentence (a) the employee shall be considered as owning the shares owned directly or indirectly by or for himself, the stock which the employee may purchase under outstanding options and the stock owned, directly or indirectly, by or for his brothers and sisters (whether of the whole or half blood), spouse, ancestors, and lineal descendants and (b) stock owned directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by or for its shareholders, partners or beneficiaries. For all purposes of this Plan, the fair market value of the Common Stock of the Corporation shall be determined in good faith at the time of the grant of any option by decision of the Stock Option Committee. In making such determination, the Stock Option Committee shall not take into account the effect of any restrictions on the Common Stock other than restrictions which, by their terms, will never lapse. The full purchase price of shares purchased shall be paid upon exercise of the option. Under certain circumstances such purchase price shall be subject to adjustment as referred to in Section 10 of this Plan.

7. Option Period.

No option granted pursuant to the Plan shall be exercisable after the expiration of ten years from the date the option is first granted. No option granted pursuant to the Plan to a person owning more than 10 percent of the voting power of the Corporation's voting stock shall be exercisable after the expiration of five years from the date the option is first granted. For the purposes of the preceding sentence (a) the employee shall be considered as owning the stock owned directly or indirectly by or for himself, the stock which the employee may purchase under outstanding options and the stock owned directly or indirectly, by or for his brothers or sisters (whether of the whole or half blood), spouse, ancestors, and lineal descendants and (b) stock owned directly or indirectly, by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries. The expiration date stated in the Option Agreement is hereinafter called the Expiration Date.

8. Termination of Employment.

The Option Agreement shall provide that:

(a) If prior to the Expiration Date, the employee shall for any reason whatever, other than (1) his authorized retirement as defined in (b) below, or (2) his death, cease to be employed by the Corporation, any unexercised portion of the option granted shall automatically terminate.

(b) If prior to the Expiration Date, the employee shall (1) retire upon or after reaching the age which at the time of retirement is established as the normal retirement age for employees of the Corporation or (2) with the written consent of the Corporation, retire prior to such age on account of physical or mental disability (such retirement pursuant to (1) or (2) being deemed and "authorized retirement") any unexercised portion of the option shall expire at the end of three months after such authorized retirement, and during such three months' period the employee may exercise all or any part of the then unexercised portion of the option; and

(c) If prior to the Expiration Date, the employee shall die (at a time when he is an officer or employee of the Corporation or within three months after his authorized retirement), the legal representatives of his estate or a legatee or legatees shall have the privilege, for a period of six months after his death, of exercising all or any part of the then unexercised portion of the option.

Nothing in (b) or (c) shall extend the time for exercising any option granted pursuant to the Plan beyond the Expiration Date.

9. Assignability.

The Option Agreement shall provide that the option granted thereby shall not be transferable or assignable by the employee otherwise than by will or laws of descent and distribution and during the lifetime of the employee shall be exercisable only by him.

10. Adjustment in case of Stock Splits, Stock Dividends, etc.

The Option Agreement may contain such provisions as the Board of Directors may approve as equitable concerning the effect upon the option granted thereby and upon the per share or per unit option price, of (a) stock dividends upon, subdivisions, split-ups, combinations or reclassifications of, the securities purchasable under the option. or (b) proposals to merge or consolidate the Corporation or to sell all or substantially all of its assets, or to liquidate or dissolve the Corporation.

11. Stock for Investment.

The Option Agreement shall provided that the employee shall upon each exercise of a part or all of the option granted represent and warrant that his purchase of stock pursuant to such option is for investment only, and not with a view of distribution involving a public offering. At any time, the Board of Directors of the Corporation may waive the requirement of such a provision in any Option Agreement entered into under any stock option plan of the Corporation.

12. Amendment of the Plan.

The Board of Directors of the Corporation may from time to time alter, amend, suspend or discontinue the Plan and make rules for its administration, except that the Board of Directors shall not amend the Plan in any manner which would have the effect of preventing options issued under the Plan from being "incentive stock options" as defined in Section 422 of the Internal Revenue Code of 1986.

13. Options Discretionary.

The granting of options under the Plan shall be entirely discretionary with the Stock Option Committee and nothing in the Plan shall be deemed to give any officer or managerial employee the right to participate in the Plan or to receive options.

14. Limitations as to Amount.

No person to whom options are granted hereunder shall receive options, first exercisable during any single calendar year, for shares, the fair market value of which (determined at the time of the grant of the options) exceeds \$100,000. Accordingly, no optionee shall be entitled to exercise options in any single calendar year, except to the extent first exercisable in previous calendar years, for shares of Common Stock the value of which (determined at the time of grant of the options) exceeds \$100,000.

WHEREFORE, this Plan has been approved by unanimous vote of the Board of Directors this 31st day of May, 2001.

 /s/ Donald F. Evans
Donald F. Evans
Chairman

End of Filing

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