

CYBERLUX CORP

FORM 10SB12G/A

(Amended Securities Registration Statement (small business, section 12(g)))

Filed 06/25/02

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

File No. 000-33415
Amendment No. 4
to
FORM 10 - SB

GENERAL FORM FOR REGISTRATION OF SECURITIES OF SMALL BUSINESS ISSUERS
Under Section 12(b) or (g) of the Securities Exchange Act of 1934

Cyberlux Corporation

(Name of Small Business Issuers in its charter)

Nevada

91-2048978

(State of other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification Number)

50 Orange Road
Pinehurst, North Carolina

28374

(Address of principal executive offices)

(Zip code)

Issuer's telephone number: (910) 235-0066

Securities to be registered under section 12(b) of the Act:

Title of Each Class
To be so registered

Name on each exchange on which
Each class is to be registered

Securities to be registered under section 12(g) of the Act:

Common Stock, \$0.001 par value per share, 20,000,000 shares authorized, 5,014,748 issued and outstanding as of the most practicable date.

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Forward Looking Statements

Some of the statements contained in this Form 10-SB that are not historical facts are "forward-looking statements" which can be identified by the use of terminology such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative or other variations, or by discussions of strategy that involve risks and uncertainties. We urge you to be cautious of the forward-looking statements, that such statements, which are contained in this Form 10-SB, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors affecting our operations, market growth, services, products and licenses. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of the risks we face, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events. Factors that may cause actual results, our performance or achievements, or industry results, to differ materially from those contemplated by such forward-looking statements include without limitation:

1. Our ability to attract, maintain and integrate internal management, technical information and management information systems;
2. Our ability to remain abreast of trends in the optoelectronics industry;
3. The level of acceptance of our products by retail merchants and their respective customers; and
4. Our ability to address potential additional capital requirements.

All written and oral forward-looking statements made in connection with this Form 10-SB that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given the uncertainties that surround such statements, you are cautioned not to place undue reliance on such forward-looking statements.

Part I

We are filing this Form 10-SB on a voluntary basis with the intention of establishing the full reporting status of Cyberlux Corporation with the SEC. Upon the effectiveness of the Registration Statement, we will be required comply with the reporting, proxy solicitation and certain other requirements by the Securities Exchange Act of 1934. We are also filing to:

1. Provide current, public information to the investment community;
2. Expand the availability of secondary trading exemptions under the Blue Sky laws and thereby expand the trading market in our securities; and
3. Comply with prerequisites for listing of our securities on the NASD OTC Bulletin Board.

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. We are filing this Form 10-SB voluntarily with the intention of establishing a fully reporting status with the SEC. Obtaining a fully reporting status is a necessary step in accomplishing our goal of having our stock listed on the OTC Bulletin Board

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 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 circuitry 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 pieces 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 light 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 for \$1,000 per month plus commission based upon a declining rate of 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.

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 initiated 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. Pending successful sales of the Home Safety Light and obtaining additional financing, 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 \$157,313.50 for the year 2000 and \$85,500.00 for the year 2001. These numbers do not include administrative overhead, travel or other expenses associated with that development.

Research and Development Expenses for the year 2000

Charges to research and development by
Research Econometrics prior to incorporation of
Cyberlux Corporation in May 2000: \$ 40,259.00

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:

Technology Associates	\$ 5,054.50
Light Technology, Inc.	\$108,500.00
Light Technology, Inc. _	<u>\$ 3,500.00</u>
	\$117,054.60

Total Year 2000 \$151,505.57

Research and Development Expenses for the year 2001

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.

TKJ, Inc.	\$ 2,500.00
Robrady Design, Inc.	\$ 83,000.00

Total Year 2001 \$ 85,500.00

All the amounts paid to Robrady 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. 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. The Debenture entitles the holder to 10% interest per annum. The holder, subject to prior redemption by Cyberlux, convert the debenture into common stock of Cyberlux in a ratio of one common share for each one dollar amount of principal. The original maturity date of March 31, 2002, was extended by the Cyberlux Board of Directors to March 31, 2003.

(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.

C. Reports to Security Holders

Our annual report will contain audited financial statements. We are not required to deliver an annual report to security holders and will not deliver a copy of the annual report to security holders unless they send us a formal request. We intend, from this date forward, to file all of our required information with the Securities and Exchange Commission. Before this form was filed, we had filed no other forms with the SEC. We plan to file with the SEC our Forms 10-KSB, 10-QSB, and all other forms that may be or become applicable to the Company.

The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. The Public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The statements and forms we file with the SEC have also been filed electronically and are available for viewing or copying on the SEC-maintained Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Internet address for this site is www.sec.gov.

(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. Management's Discussion and Analysis

When used in this Form 10-SB 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 recorded \$242,503 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 accounts 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 September 30, 2001 which were for accrued salaries for Messrs. Evans, Ninneman and Ringo consistent with employment agreements. These fees are in the form of non interest bearing promissory notes.

Promissory notes were issued to certain officers for loans to the Company for working capital. These Notes are listed as payable on demand and accrue interest at 12% per annum. The loans totaled over \$240,000, but have been reduced to \$94,025. Messrs. Evans, Downing, Ninneman and a former officer of the Company are owed \$30,500, \$58,000, \$5,245 and \$5,000 respectively.

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 3. 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.

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 4. Security Ownership of Management

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	1,355,000	27.0%
David D. Downing 100 Country Meadow Drive Marietta, OH 45750	450,000	8.9%
Scott W. Elliot Masonic Park Road, Box 274C Marietta, OH 45750	300,000	5.9%
Alan H. Ninneman 17 Barberry Court Corrales, NM 87048	600,000	11.9%
John W. Ringo 241 Lamplighter Lane Marietta, GA 30067	400,000	7.9%
Total ownership by our officers and directors (Messrs. Evans, Downing, Ninneman and Ringo)	<u>2,805,000</u>	<u>55.9%</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 (see Item 6, page 13,) officers of the Company, Messrs. Evans, Ringo, Ninneman and Downing are vested with 350,000 options, which, when exercised, increase the percentage of ownership to 55.9% 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, Scott W. Elliot, Alan H. Ninneman, and John Ringo owns or shares the power to vote 5% or more of our securities.

Item 5. Directors and Executive Officers

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 6. 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. No officer has been paid a salary since our inception as a capital conservation measure designed to invest all available funds into the development of our products. Annual compensation began accruing in the form of management fees as of July 2000. The compensation indicated in the table is the annualized amount of salary to be paid the respective officers in accordance with their employment agreements. Salary accruals for Mr. Evans began in July 2000 at \$3,000 per month through September 2000 and \$6,500 per month from October to December 2000. Salary accruals for Messrs. Ninneman and Ringo began in September 2000 at \$3,000 each for September and October 2000, followed by \$4,500 in November and December for Mr. Ninneman and \$3,500 in November and December for Mr. Ringo. From 2001 forward, salaries have accrued in accordance with the annualized salaries outlined in the table. The salary accruals are non-interest bearing obligations of the Company that are to be retired from revenues when product sales begin.

Salary accruals in the form of management fees for Messrs. Evans, Ninneman and Ringo for the year 2000 were \$28,500, \$15,000 and \$13,000 respectively. Salary accruals for Messrs. Evans, Ninneman and Ringo for the year 2001 were \$98,004, 78,000 and 69,000 respectively. In November 2001, Messrs. Evans, Ninneman and Ringo were paid \$5,000 each.

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. Managements' 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 all 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).

Item 7. 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, Present of PU AN Trading remain cordial . The establishment of the provisional patent would have facilitated pursuit of filing notice in a foreign country (Taiwan) that a provisional patent was in effect with the USPTO. There was no business transaction in Taiwan or other foreign country that made such notice (Foreign Filing License Granted) applicable. The relationship with PU AN was between Research Econometrics and PU AN and not with Cyberlux. The original provisional patent (60/156/718) Portable Power Plant and Lighting System was supplanted or replaced by the provisional application (60/283,898) for the Cyberlux Storm Light filed April 6, 2001 and granted July 2, 2001. The provisional application accords the applicant with a status of first to invent for a period of one year. During that time, the applicant is obligated to perfect claims in the form of a comprehensive utility patent application. The utility patent was prepared and filed by the law firm of Austin and Bird on January 30, 2002.

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

We issued certain management fees which were due on September 30, 2001 which were for accrued salaries for Messrs. Evans, Ninneman and Ringo consistent with employment agreements. These fees are in the form of non interest bearing promissory notes. Salary accruals in the form of management fees for Messrs. Evans, Ninneman and Ringo for the year 2000 were \$28,500, \$15,000 and \$13,000 respectively. Salary accruals for Messrs. Evans, Ninneman and Ringo for the year 2001 were \$98,004, 78,000 and 69,000 respectively.

Promissory notes were issued to certain officers for loans to the Company for working capital. These Notes are listed as payable on demand and accrue interest at 12% per annum. The loans totaled over \$240,000, but have been reduced to \$94,025. Messrs. Evans, Downing, Ninneman and a former officer of the Company are owed \$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.

Item 8. Description of Securities

The authorized capital stock of our Company consists of 20,000,000 shares of common stock, \$0.001 par value per share, and 5,000,000 shares of preferred stock, \$0.001 par value per share. The following summary of certain provisions of the common stock of our Company does not purport to be complete and is subject to, and qualified in its entirety by, the provisions of our Articles of Incorporation, which is included as an exhibit to this document and by the provisions of applicable law.

Common Stock

The Company currently has 5,014,748 shares of common stock issued and outstanding. As a holder of our common stock:

1. You have equal rights to dividends from funds legally available, ratably, when as and if declared by our Board of Directors;
2. You are entitled to share, ratably, in all of our assets available for distribution upon liquidation, dissolution, or winding up of our business affairs;
3. You do not have preemptive, subscription or conversion rights and there are no redemption or sinking fund provisions applicable;
4. You are entitled to one vote per share of common stock you own, on all matters that stockholders may vote, and at all meetings of shareholders; and
5. Your shares are fully paid and non-assessable.

Additionally, there is no cumulative voting for the election of directors.

Preferred Stock

The preferred equity securities authorized to be issued under the Articles is comprised of 5,000,000 shares of the preferred stock, \$0.001 par value. As of the date of this filing, our Company has issued no preferred shares. Preferred shares may be issued in one or more series by the board of directors of the Company and such board has the authority to alter any and all rights or preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of common stock, and to fix, alter or reduce (but not below the number outstanding) the number of preferred shares comprising any such series and the designation thereof, or any of them, and to provide for the rights and terms of redemption or conversion of the shares of any series.

Nevada Anti-Takeover Provisions

The anti-takeover provisions of Sections 78.411 through 78.445 of the Nevada Corporation Law apply to Cyberlux Corporation. Section 78.438 of the Nevada law prohibits us from merging with or selling Cyberlux Corporation or more than 5% of our assets or stock to any shareholder who owns or owned more than 10% of any stock or any entity related to a 10% shareholder for three years after the date on which the shareholder acquired the Cyberlux Corporation shares, unless the transaction is approved by Cyberlux Corporation's Board of Directors. The provisions also prohibit us from completing any of the transactions described in the preceding sentence with a 10% shareholder who has held the shares more than three years and its related entities unless the transaction is approved by our Board of Directors or a majority of our shares, other than shares owned by that 10% shareholder or any related entity. These provisions could delay, defer or prevent a change in control of Cyberlux Corporation.

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Part II

Item 1. Market for Common Equity and Related Stockholder Matters

A. Market Information

There is no current market for our common equity. Additionally, our common equity is subject to outstanding options (see Stock Option Plan page 13) and shares of our common equity have been sold pursuant to Rule 144 of the Securities Act (see Item 4. Recent Sale of Unregistered Securities page 17), which could have a material effect on the on the market price of our common equity.

There are currently 762,966 shares of our common stock which are freely tradable and which are held of record by approximately 46 people. The remaining 4,251,782 shares will become freely tradable in accordance with the requirements of Rule 144. Any shares held by "affiliates" of us, which would otherwise be freely tradable, will be subject to the resale limitations under Rule 144. In general, under Rule 144, as currently in effect, a person, or persons whose shares are aggregated, who has beneficially owned shares for at least one year would be entitled to sell, within any three month period, that number of shares that does not exceed the greater of one percent (1%) of the then-outstanding shares of common stock and the average weekly trading volume in the common stock during the four calendar weeks immediately preceding the date on which the notice of sale is filed with the Securities and Exchange Commission, provided certain manner of sale and notice requirements and public information requirements are satisfied.

In addition, affiliates of ours must comply with the restrictions and requirements of Rule 144, other than the one-year holding period requirement, in order to sell shares of common stock. As defined in Rule 144, an "affiliate" of an issuer is a person who, directly or indirectly, through the use of one or more intermediaries controls, or is controlled by, or is under common control with, he issuer. Under Rule 144(k), a holder of "restricted securities" who is not deemed an affiliate of the issuer and who has beneficially owned shares for at least two years would be entitled to sell shares under Rule 144(k) without regard to the limitations described in the paragraph above.

B. Holders

As of September 30, 2001, we had approximately 110 stockholders of record.

D. Reports to Shareholders

We will furnish our shareholders with annual reports containing audited financial statements and such other periodic reports as we determine to be appropriate or as may be required by law. We are filing this Form 10-SB voluntarily with the intention of establishing the fully reporting status of Cyberlux Corporation, with the SEC. Upon the effectiveness of this Registration Statement, we will be required to comply with periodic reporting, proxy solicitation and certain other requirements by the Securities Exchange Act of 1934.

E. Transfer Agent and Registrar

The Transfer Agent for our shares of common stock is Pacific Stock Transfer Company, 500 East Warm Springs Road, Suite 240, Las Vegas, Nevada 898119. The telephone number is (702) 361-3033.

Item 2. 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

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

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

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

On January 28, 2002, 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 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, Kerkering, Barbario & Co. to independently do an evaluation of the LTI assets. Kerkering, 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 expended for marketing expense in anticipation of the promised delivery of the light. We also made loans to defendant Safe-Light in the Amount of \$13,188.75 to assist in development and marketing of its products based upon representation that the assets of Safe-Light would be acquired by us.

We 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. Despite the news article in which Rachwal announced that LTI had developed an emergency light, he incredulously did not object to the injunction stating that he did not have such a light.

There is no similarity between our product, the Home Safety Light, and LTI's product, known as the Pal Light. Our product, which is described in detail in the business section, has 10 diodes and provides a blanket of light to light up a room in the event of a power outage. The LTI product is a small flashlight that uses one diode. The two products are not in the same category.

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.

In the event that LTI and Rachwal are successful in their claims, we would still be able to sell our product since we have patent applications pending to protect our product.

The Company intends to fully prosecute the Company's claims and actions against the Defendants and denies as specious the Defendants' allegations 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 3. Changes in and Disagreements with Accountants

We have had no disagreements with our independent accountants.

Item 4. Recent Sale of Unregistered Securities

The following discussion describes all the securities we have sold within the past three fiscal years:

On May 17, 2000, we were incorporated under the laws of the State of Nevada as Cyberlux Corporation. We are authorized to issue 20,000,000 shares of common stock, par value \$0.001, and 5,000,000 shares of preferred stock, par value \$0.001.

On May 19, 2000, we issued 1,784,000 shares of our common stock with par value of \$0.001 per share to nine founding individuals, which were fully paid and non-assessable in exchange for cash of \$2,200. All shares issued by the Company were issued in accordance with Section 4(2) of the Securities Act of 1933.

During May 2000, we issued 750,000 shares of our \$0.001 par value common stock in exchange for research and development costs paid by Research Econometrics, LLP in the amount of \$68,753.

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

During July 2000, we issued 144,000 shares of our \$0.001 par value common stock in exchange for convertible debentures in the amount of \$40,000 through a private placement.

On November 30, 2000, we completed a public offering of shares of common stock in accordance with Regulation D, Rule 504 of the Securities Act of 1933, as amended, and the registration by qualification of the offering in the State of Nevada and the State of Arkansas. This offering was conducted on a best efforts basis and was not underwritten. We sold 640,171 shares of common stock, par value, at a price of \$0.15 per share to 51 unaffiliated shareholders of record, none of whom were or are our officers or directors. The offering was sold for \$99,026 in cash.

122,795 shares of common stock were issued to a consulting firm in services rendered valued at \$18,419. Listed below are the requirements set forth under Regulation D, Rule 504 and the facts, which support the availability of Rule 504 to this offering:

Exemption

Offers and sales of securities that satisfy the conditions in paragraph (b) of this Rule 504 by an issuer that is not:

1. Subject to the reporting requirements of section 13 or 15(d) of the Exchange Act;
2. An investment company; or
3. A development stage company that either has no specific business plan or purpose or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other entity or person, shall be exempt from the provision of section 5 of the Act under section 3(b) of the Act.

At the time of the offering, we were not subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act. Further, we have never been considered to be an investment company. In addition, we have continuously pursued our specific business plan of developing and manufacturing miscellaneous chemical products.

Conditions to be met

General Conditions - To qualify for exemption under this Rule 504, offers and sales must satisfy the terms and conditions of Rule 501 and Rule 502 (a), (c) and (d), except that the provisions of Rule 502 (c) and (d) will not apply to offers and sales of securities under this Rule 504 that are made:

1. In one or more states that provide for the registration of the securities that require the filing and delivery to investors of a prospectus before sale, and are made in accordance with those state provisions;
2. In one or more states that have no provision for the registration of the securities or the filing or delivery of a disclosure document before sale, if the securities have been registered in at least one state that provides for such registration, public filing and delivery before sale, offers and sales are made in that state in accordance with such provisions, and the disclosure document is delivered before sale to all purchasers; or

3. Exclusively according to state law exemptions from registration that permit general solicitation and general advertising so long as sales are made only to "accredited investors" as defined in Rule 501(a).

On August 21, 2000, we were issued a notice of effectiveness by the State of Nevada, in response to our application for registration by qualification in that state. The application for registration by qualification was filed in accordance with the provisions of NRS 90.490, which requires the public filing and delivery to investors of a disclosure document before sale.

On October 31, 2000, we were issued a notice of effectiveness by the State of Arkansas, in response to our application for registration by qualification in that state. The application for registration by qualification was filed pursuant to Arkansas Code Ann. Section 23-42-503(b) and Rule 503.01(B)(1) of the Rules of the Commissioner, which requires the public filing and delivery to investors of a disclosure document before sale. This offering was conducted exclusively in the states of Nevada and Arkansas.

Proceeds of the Offering - The aggregate offering price for an offering of securities under this Rule 504, as defined in Rule 501(c), shall not exceed \$1,000,000, less the aggregate offering price for all securities sold within the twelve months before the start of and during the offering of securities under this Rule 504, in reliance on any exemption under section 3(b), or in violation of section 5(a) of the Securities Act. The aggregate offering price was \$345,000, of which \$96,026 was sold.

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.

During November 2001, officers of the Company elected to exercise their options to purchase 350,000 shares of its \$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.

Item 5. Indemnification of Directors and Officers

Our Articles of Incorporation and bylaws provide for the indemnification of any present or former director or officer. Our officers and directors will be indemnified and held harmless to the fullest extent of permissible under the laws of the State of Nevada against all expenses, liability and loss including attorneys' fees, judgments, fines, and amounts paid or to be paid in a settlement. Moreover, pursuant to Nevada Revised Statutes Section 78.750 and 751 we must indemnify any of our directors, officers, employees or agents who are successful on the merits or otherwise in defense on any action or suit. Such indemnification shall include, expenses, including attorney's fees actually or reasonably incurred by him. Nevada law also provides for discretionary indemnification for each person who serves as or at our request as one of our officers or directors. We may indemnify such individuals against all costs, expenses and liabilities incurred in a threatened, pending or completed action, suit or proceeding brought because such individual is one of our directors or officers. Such individual must have conducted himself in good faith and reasonably believed that his conduct was in, or not opposed to, our best interests. In a criminal action, he must not have had a reasonable cause to believe his conduct was unlawful.

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Item 1. Financial Statements

The following documents are filed as part of this report:

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Report of Independent Certified Public Accountants	27
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Statement of Operations	30
Statement of Stockholders' Equity	31
Statement of Cash Flows	32
Notes to Financial Statements	33

G. BRAD BECKSTEAD
Certified Public Accountant

330 E. Warm Springs
Las Vegas, NV 89119
702.257.1984
702.362.0540 fax

INDEPENDENT AUDITOR'S REPORT

November 28, 2001

Board of Directors
Cyberlux Corporation
Las Vegas, NV

I have audited the Balance Sheet of Cyberlux Corporation (a Development Stage Company), as of September 30, 2001 and December 31, 2000, and the related Statements of Operations, Changes in Stockholders' Equity, and Cash Flows for the period May 17, 2000 (Date of Inception) to September 30, 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cyberlux Corporation, (A Development Stage Company), as of September 30, 2001 and December 31, 2000, and the results of its operations and its cash flows for the period from May 17, 2000 (Date of Inception) to September 30, 2001 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has had limited operations and has not commenced planned principal operations. This raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

G. Brad Beckstead, CPA

G. BRAD BECKSTEAD
Certified Public Accountant

330 E. Warm Springs
Las Vegas, NV 89119
702.257.1984
702.362.0540 fax

November 28, 2001

To Whom It May Concern:

The firm of G. Brad Beckstead, CPA, consents to the inclusion of my report of November 28, 2001, on the Financial Statements of Cyberlux Corporation from the inception date of May 17, 2000 through September 30, 2001 and December 31, 2000, in any filings which are necessary now or in the near future to be filed with the US Securities and Exchange Commission.

Signed,

G. Brad Beckstead, CPA

Cyberlux Corporation
(a Development Stage Company)
Balance Sheet

	September 30, 2001	December 31, 2000
Assets		
Current assets:		
Cash	\$ 1,835	\$ 21,697
Total current assets	<u>1,835</u>	<u>21,697</u>
Fixed assets, net	2,527	3,538
Other assets:		
Deposit	6,819	1,819
	<u>\$ 11,181</u>	<u>\$ 27,054</u>
Liabilities and Stockholders' (Deficit)		
Current liabilities:		
Accrued interest	\$ 1,267	\$ 1,267
Consulting fees payable - related party	220,171	70,000
Notes payable	131,757	15,000
Total current liabilities	<u>353,195</u>	<u>86,267</u>
Convertible debentures	55,500	117,455
	<u>408,695</u>	<u>203,722</u>
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, 5,014,748 and 4,315,966 shares issued and outstanding as of 9/30/01 and 12/31/00, respectively	5,015	4,316
Additional paid-in capital	375,423	273,667
(Deficit) accumulated during development stage	(777,952)	(454,651)
	<u>(397,514)</u>	<u>(176,668)</u>
	<u>\$ 11,181</u>	<u>\$ 27,054</u>

Cyberlux Corporation
(a Development Stage Company)
Statement of Operations
For the nine months ended September 30, 2001,
the period May 17, 2000 (Inception) to December 31, 2000,
and for the period May 17, 2000 (Inception) to September 30, 2001

	<u>Nine months ended September 30, 2001</u>	<u>May 17, 2000 (inception) to December 31, 2000</u>	<u>May 17, 2000 (inception) to September 30, 2001</u>
Revenue	\$ -	\$ -	\$ -
Expenses:			
Marketing and advertising expense	74,535	44,013	118,548
Depreciation expense	1,011	676	1,687
Organizational costs	-	25,473	25,473
Research and development costs	47,000	157,314	204,314
Professional and consulting - related party	141,336	153,730	295,066
General and administrative expenses	58,927	71,041	129,968
	<u>322,809</u>	<u>452,247</u>	<u>775,056</u>
Total expenses	322,809	452,247	775,056
(Loss) from operations	(322,809)	(452,247)	(775,056)
Other income (expense):			
Interest (expense)	(492)	(2,444)	(2,936)
Interest income	-	40	40
	<u> </u>	<u> </u>	<u> </u>
Net (loss)	\$ (323,301)	\$ (454,651)	\$ (777,952)
	<u> </u>	<u> </u>	<u> </u>
Weighted average number of common shares outstanding - basic and fully diluted	4,165,201	3,708,445	
	<u> </u>	<u> </u>	
Net (loss) per share - basic and fully diluted	\$ (0.00)	\$ (0.00)	
	<u> </u>	<u> </u>	

Cyberlux Corporation
(a Development Stage Company)
Statement of Changes in Stockholders' (Deficit)
For the Period May 17, 2000 (Date of Inception) to September 30, 2001

	Common Stock Shares	Stock Amount	Additional Paid-in Capital	(Deficit) Accumulated During Development Stage	Total Stockholders' (Deficit)
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	698,782	699	101,756		102,455
Net (loss) Nine months ending September 30, 2001				(323,301)	(323,301)
Balance, September 30, 2001	5,014,748	5,015	375,423	(777,952)	(397,514)

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

For the nine months ended September 30, 2001,
the period May 17, 2000 (inception) to December 31, 2000, and
for the period May 17, 2000 (Date of Inception) to September 30, 2001

	Nine months ended September 30, 2001	May 17, 2000 (inception) to December 31, 2000	May 17, 2000 (inception) to September 30, 2001
Cash flows from operating activities			
Net (loss)	\$ (323,301)	\$ (454,651)	\$ (777,952)
Depreciation expense	1,011	676	1,687
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	-	1,267	1,267
Increase in consulting fees payable - officers	150,171	70,000	220,171
	<u>(177,119)</u>	<u>(260,770)</u>	<u>(437,889)</u>
Cash flows from investing activities			
Purchase of fixed assets	-	(4,214)	(4,214)
Proceeds from notes payable	116,757	15,000	131,757
	<u>116,757</u>	<u>10,786</u>	<u>127,543</u>
Cash flows from financing activities			
Proceeds from convertible debentures	40,500	157,455	197,955
Donated capital	-	16,000	16,000
Issuance of common stock	-	98,226	98,226
	<u>40,500</u>	<u>271,681</u>	<u>312,181</u>
Net cash provided by operating activities	<u>(177,119)</u>	<u>(260,770)</u>	<u>(437,889)</u>
Net cash provided by investing activities	<u>116,757</u>	<u>10,786</u>	<u>127,543</u>
Net cash provided by financing activities	<u>40,500</u>	<u>271,681</u>	<u>312,181</u>
Net increase in cash	(19,862)	21,697	1,835
Cash - beginning	21,697	-	-
	<u>\$ 1,835</u>	<u>\$ 21,697</u>	<u>\$ 1,835</u>
Supplemental disclosures:			
Interest paid	\$ -	\$ 1,202	\$ 1,202
Income taxes paid	\$ -	\$ -	\$ -
Non-cash investing and financing activities:			
Shares issued for R&D and consulting services	\$ -	\$ 123,757	\$ 123,757
Shares issued for conversion of debt	\$ 102,455	\$ 40,000	\$ 142,455

Cyberlux Corporation
(A Development State 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 December 31, 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
------------------	---------

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 December 31, 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 December 31, 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.

Cyberlux Corporation
(A Development State Company)
Notes

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 State 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 \$ 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. 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. The Company also issued 500,000 warrants valued at \$25,000 to exercisable at \$0.001 per warrant into 500,000 shares of the Company's \$0.001 par value common stock. \$145,000 has been recorded to long-term notes payable and and \$25,000 has been recorded to additional paid-in capital.

Cyberlux Corporation
(A Development State Company)
Notes

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

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

On October 18, 2001, the Company issued a warrant certificate to OneCap pursuant to the terms of a Loan Agreement giving OneCap rights to purchase 500,000 shares of the Company's \$0.001 par value common stock at par value. The warrant agreement expires October 22, 2004, and is callable upon election by the Company. The 500,000 warrants are valued at \$0.05 per warrant, or \$25,000, and recorded as additional paid-in capital netted from the \$170,000 loan proceeds. The warrants are considered to be anti-dilutive due to the deficit accumulated during the development stage.

Cyberlux Corporation
(A Development State Company)
Notes

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.

The Company issued 997,795 shares of its \$0.001 par value common stock to officers and shareholders of the Company for consulting services totaling \$55,004 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.

Item 1. Index to Exhibits

Exhibit Number	Name and/or Identification of Exhibit
3	Articles of Incorporation & By-Laws <ul style="list-style-type: none">a. Articles of Incorporation of the Company filed May 17, 2000 *b. By-Laws of the Company adopted May 19, 2000 *
10	Material Contracts <ul style="list-style-type: none">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 *
23	Consent of Experts and Counsel <ul style="list-style-type: none">Consent of independent public accountant *

Footnote:

* Previously filed and incorporated by reference herein.

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Cyberlux Corporation

(Registrant)

Date: 5/20/02

By: /s/ John W. Ringo
John W. Ringo, Secretary, Corporate Counsel & Director

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