

Lightwave Logic, Inc.  
Form 10-Q  
May 17, 2010

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

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**FORM 10-Q**

**(Mark One)**

**✓ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2010**

**OR**

**☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 0-52567**

**Lightwave Logic, Inc.**

**(Exact name of registrant as specified in its charter)**

**Nevada**

**82-049-7368**

(State or other jurisdiction of

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

**121 Continental Drive**

**Suite 110**

19713

**Newark, DE**

(Zip Code)

(Address of principal executive offices)

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Registrant's telephone number, including area code: (302) 356-2717

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

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

The number of shares of the registrant's Common Stock outstanding as of May 14, 2010 was 42,104,042.

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**TABLE OF CONTENTS**

**PART I FINANCIAL INFORMATION**

		<b>Page</b>
Part I	Financial Information	1
Item 1	Financial Statements	1
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 4	Controls and Procedures	31
Part II	Other Information	32
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 6	Exhibits	32
	Signatures	33

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## LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

## BALANCE SHEETS

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 79,466	\$ 459,989
Prepaid expenses	59,204	53,373
	138,670	513,362
<b>PROPERTY AND EQUIPMENT - NET</b>	112,104	104,087
<b>OTHER ASSETS</b>		
Intangible assets	276,456	261,215
<b>TOTAL ASSETS</b>	<b>\$ 527,230</b>	<b>\$ 878,664</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 79,220	\$ 70,730
Accounts payable - related party	7,541	12,121
Accrued expenses	51,452	48,825
<b>CONTINGENCY</b>		
<b>TOTAL LIABILITIES</b>	138,213	131,676
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.001 par value, 1,000,000 authorized		
No shares issued or outstanding	-	-
Common stock \$0.001 par value, 100,000,000 authorized		
41,166,542 and 41,166,542 issued and outstanding at		
March 31, 2010 and December 31, 2009	41,167	41,167
Additional paid-in-capital	18,037,976	17,385,295
Accumulated deficit	(15,827)	(15,827)
Deficit accumulated during development stage	(17,674,299)	(16,663,647)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	389,017	746,988
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 527,230</b>	<b>\$ 878,664</b>

See accompanying notes to these financial statements.

## LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

## STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDING

MARCH 31, 2010 AND 2009 AND FOR THE PERIOD

JANUARY 1, 2004 (INCEPTION OF DEVELOPMENT STAGE) TO MARCH 31, 2010

(UNAUDITED)

	Cumulative Since Inception	For the Three Months Ending March 31, 2010	For the Three Months Ending March 31, 2009
NET SALES	\$ -	\$ -	\$ -
COST AND EXPENSE			
Research and development	6,871,707	279,493	449,717
General and administrative	10,756,176	731,213	307,267
	17,627,883	1,010,706	756,984
LOSS FROM OPERATIONS	(17,627,883)	(1,010,706)	(756,984)
OTHER INCOME (EXPENSE)			
Interest income	30,047	120	-
Dividend income	1,551	-	-
Realized gain (loss) on investment	3,911	-	-
Realized gain on disposal of assets	637	-	-
Litigation settlement	(47,500)	-	-
Interest expense	(35,062)	(66)	(414)
NET LOSS	\$ (17,674,299)	\$ (1,010,652)	\$ (757,398)
Basic and Diluted Loss per Share		\$ (0.03)	\$ (0.02)
Basic and Diluted Weighted Average Number of Shares		41,166,542	37,428,638

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See accompanying notes to these financial statements.

## LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

## STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE PERIOD JANUARY 1, 2004 (INCEPTION OF DEVELOPMENT STAGE) TO

MARCH 31, 2010

(UNAUDITED)

	Number of Shares	Common Stock	Paid-in Capital	Subscription Receivable	Deferred Charges	Unrealized Loss on Securities	Accumulated Deficit	Deficit Accumulated During Development Stage	Total
ENDING BALANCE AT DECEMBER 31, 2003	100	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ (15,827)	\$ -	\$ (15,827)
Proactive capitalization in reverse acquisition	706,973	706	(706)	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2004	707,073	707	(706)	-	-	-	(15,827)	-	(15,827)
Common stock issued to founders	13,292,927	13,293	(13,293)	-	-	-	-	-	-
Common stock issued for wire services	1,600,000	1,600	254,400	-	-	-	-	-	256,000
July 2004 at \$16/share	2,000,000	2,000	(2,000)	-	-	-	-	-	-
Common stock issued at \$0.375 per share	637,500	638	74,362	-	-	-	-	-	75,000



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Common stock issued for									
revenue services									
August 2004									
at \$0.12/share									
conversion of									
debt payable in									
December 2004									
at \$0.16/share	187,500	187	29,813	-	-	-	-	-	30,000
net loss for the									
year ended									
December 31,									
2004	-	-	-	-	-	-	-	(722,146)	(722,146)
<b>BALANCE AT</b>									
<b>DECEMBER</b>									
<b>2004</b>	18,425,000	18,425	342,576	-	-	-	(15,827)	(722,146)	(376,900)
Common stock issued in									
private									
placement in									
April 2005 at									
\$0.25/share	4,000,000	4,000	996,000	-	-	-	-	-	1,000,000
conversion of									
debt payable in									
July 2005 at									
\$0.16/share	3,118,750	3,119	495,881	-	-	-	-	-	499,000
description									
receivable	-	-	-	(6,500)	-	-	-	-	(6,500)
Common stock issued for									
revenue services									
August 2005,									
issued at									
\$0.79/share	210,000	210	585,290	-	-	-	-	-	585,500
Common stock issued for									
revenue services									
August 2005,									
issued at									
\$0.92/share	200,000	200	583,800	-	-	-	-	-	584,000
warrants issued									
for revenue									
services in									
July 2005,									
issued during									
2005, valued at									
\$0.13/share	-	-	37,000	-	-	-	-	-	37,000
warrants issued	-	-	24,200	-	-	-	-	-	24,200
for revenue									
services in									
September									

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5, vested ing 2005, ued at 45/share rrants issued services in ober 2005, ted during 5, valued at 53/share	-	-	15,900	-	-	-	-	-	15,900
rrants issued future ices in ember 5, vested ing 2005, valued at 45/share	-	-	435,060	-	-	-	-	-	435,060
ferred rges for nnon stock ed for ire services August 2005, ued at 02/share	-	-	-	-	(584,000)	-	-	-	(584,000)
ortization of ferred rges rcise of rrants in ember 2005 0.25/share	-	-	-	-	265,455	-	-	-	265,455
loss for the r ended ember 31, 5	300,000	300	74,700	-	-	-	-	-	75,000
	-	-	-	-	-	-	-	(1,721,765)	(1,721,765)
ALANCE AT EMBER 2005	26,253,750	26,254	3,590,407	(6,500)	(318,545)	-	(15,827)	(2,443,911)	831,800
non stock ed in rate cement ing 2006 at 50/share	850,000	850	424,150	-	-	-	-	-	425,000
non stock ed for ire services	300,000	300	269,700	-	-	-	-	-	270,000

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February 2006, valued at \$0.55/share	400,000	400	619,600	-	-	-	-	-	620,000
Common stock issued for future services in May 2006, valued at \$0.55/share									
Common stock issued for future services in June 2006, valued at \$0.45/share	25,000	25	36,225	-	-	-	-	-	36,225
Common stock issued for future services in November 2006, valued at \$0.49/share	60,000	60	29,340	-	-	-	-	-	29,340
Warrants issued for future services in September 2006, vested during 2006, valued at \$0.45/share	-	-	66,500	-	-	-	-	-	66,500
Warrants issued for future services in June 2006, vested during 2006, valued at \$0.55/share	-	-	465,996	-	-	-	-	-	465,996
Options issued for future services in February 2006, vested during 2006, valued at \$0.01/share	-	-	428,888	-	-	-	-	-	428,888
Capital related accrued interest on subscription receivable	-	-	35,624	-	-	-	-	-	35,624
Amortization of deferred charges	-	-	-	6,500	-	-	-	-	6,500
	-	-	-	-	318,545	-	-	-	318,545
	-	-	-	-	-	(26,000)	-	-	(26,000)

realized gain (loss) on securities loss for the year ending December 31, 2006	-	-	-	-	-	-	-	(2,933,809)	(2,933,809)
BALANCE AT DECEMBER 31, 2005	27,888,750	\$ 27,889	\$5,966,430	\$ -	\$ -	\$(26,000)	\$(15,827)	\$(5,377,720)	\$ 574,720

See accompanying notes to these financial statements.

## LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

## STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE PERIOD JANUARY 1, 2004 (INCEPTION OF DEVELOPMENT STAGE) TO

MARCH 31, 2010 (CONTINUED)

(UNAUDITED)

	Number of Shares	Common Stock	Paid-in Capital	Receivable for Issuance of Common Stock	Deferred Charges	Unrealized Loss on Securities	Accumulated Deficit	Deficit Accumulated During Development Stage	Total
BALANCE AT DECEMBER 31, 2006	27,888,750	\$ 27,889	\$5,966,430	\$ -	\$ -	(26,000)	(15,827)	(5,377,720)	574,772
Common stock issued in private placement during 2007 at \$0.50/share	2,482,000	2,482	1,238,518	-	-	-	-	-	1,241,000
Common stock issued in private placement during 2007 at \$0.60/share	1,767,540	1,768	1,058,756	-	-	-	-	-	1,060,524
Common stock subscription rescinded during 2007 at \$0.50/share	(400,000)	(400)	(199,600)	-	-	-	-	-	(200,000)
Common stock issued for future services in February 2007, valued at	151,785	152	106,098	-	-	-	-	-	106,250

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0.70/share Common stock issued for future services in March 2007, valued at 0.58/share	1,000,000	1,000	579,000	-	-	-	-	-	580,000
Common stock issued for services and settlement for accounts payable in April 2007, valued at 0.35/share	100,000	100	34,900	-	-	-	-	-	35,000
Common stock issued for services in October 2007, valued at 0.68/share	150,000	150	101,850	-	-	-	-	-	102,000
Common stock issued for services in October 2007, valued at 0.90/share	150,000	150	134,850	-	-	-	-	-	135,000
Common stock issued for services in November 2007, valued at 0.72/share	400,000	400	287,600	-	-	-	-	-	288,000
Warrants issued for services in September 2005, vested during 2007, valued at 1.45/share	-	-	36,370	-	-	-	-	-	36,370
Warrants issued for services in March 2007, vested during 2007, valued at 0.63/share	-	-	52,180	-	-	-	-	-	52,180
Warrants issued for services in	-	-	293,476	-	-	-	-	-	293,476

April 2007, vested during 2007, valued at \$0.69/share	-	-	140,490	-	-	-	-	-	140,490
Warrants issued for services in April 2007, vested during 2007, valued at \$0.63/share	-	-	52,946	-	-	-	-	-	52,946
Warrants issued for services in May 2007, vested during 2007, valued at \$0.56/share	-	-	61,449	-	-	-	-	-	61,449
Warrants issued for services in October 2007, vested during 2007, valued at \$0.61/share	-	-	52,292	-	-	-	-	-	52,292
Warrants issued for services in October 2007, vested during 2007, valued at \$0.78/share	-	-	1,159	-	-	-	-	-	1,159
Warrants issued for services in December 2007, vested during 2007, valued at \$0.55/share	-	-	17,589	-	-	-	-	-	17,589
Options issued for services in February 2006, vested during 2007, valued at \$1.01/share	-	-	43,757	-	-	-	-	-	43,757
Options issued for services in February 2006, vested during 2007, valued at	-	-		-	-	-	-	-	

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1.09/share									
Options issued									
for services in									
November									
2007, vested									
during 2007,									
valued at									
\$0.60/share	-	-	41,653	-	-	-	-	-	41,653
Warrants									
issued for									
future services									
in April 2007,									
vested during									
2007, valued at									
\$0.70/share	-	-	348,000	-	-	-	-	-	348,000
Deferred									
charges for									
common stock									
issued for									
future services									
in March 2007,									
valued at									
\$0.58/share	-	-	-	-	(928,000)	-	-	-	(928,000)
Amortization									
of deferred									
charges	-	-	-	-	773,333	-	-	-	773,333
Unrealized gain									
(loss) on									
securities	-	-	-	-	-	(32,610)	-	-	(32,610)
Net loss for the									
year ending									
December 31,									
2007	-	-	-	-	-	-	-	(4,223,449)	(4,223,449)
<b>BALANCE AT</b>									
<b>DECEMBER</b>									
<b>31, 2007</b>	33,690,075	33,690	10,449,763	-	(154,667)	(58,610)	(15,827)	(9,601,169)	653,180
Common stock									
issued in									
private									
placement									
during 2008 at									
\$0.60/share	690,001	690	413,310	-	-	-	-	-	414,000
Common stock									
issued for									
services in									
March 2008,									
valued at									
\$0.75/share	100,000	100	74,900	-	-	-	-	-	75,000
	200,000	200	359,800	-	-	-	-	-	360,000



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Common stock issued for services in August 2008, valued at \$1.80/share									
Exercise of warrants at \$0.25/share	320,000	320	79,680	-	-	-	-	-	80,000
Exercise of warrants at \$0.25/share, pursuant to November 2008 adjusted stock offering	641,080	641	159,629						160,270
Exercise of warrants at \$0.50/share	270,000	270	134,730	-	-	-	-	-	135,000
Warrants issued for services in September 2005, vested during 2008, valued at \$1.45/share	-	-	27,014	-	-	-	-	-	27,014
Warrants issued for services in March 2007, vested during 2008, valued at \$0.63/share	-	-	10,885	-	-	-	-	-	10,885
Warrants issued for services in April 2007, vested during 2008, valued at \$0.69/share	-	-	121,713	-	-	-	-	-	121,713
Warrants issued for services in April 2007, vested during 2008, valued at \$0.63/share	-	-	48,738	-	-	-	-	-	48,738
Warrants issued for services in May	-	-	31,444	-	-	-	-	-	31,444

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2007, vested during 2008, valued at \$0.56/share									
Warrants issued for services in December 2007, vested during 2008, valued at \$0.55/share	-	-	12,487	-	-	-	-	-	12,487
Options issued for services in November 2007, vested during 2008, valued at \$0.60/share	-	-	286,803	-	-	-	-	-	286,803
Options issued for services in January 2008, vested during 2008, valued at \$0.60/share	-	-	30,750	-	-	-	-	-	30,750
Options issued for services in July 2008, vested during 2008, valued at \$1.48/share	-	-	114,519	-	-	-	-	-	114,519
Options issued for services in August 2008, vested during 2008, valued at \$1.36/share	-	-	525,263	-	-	-	-	-	525,263
Options issued for services in November 2008, vested during 2008, valued at \$0.50/share	-	-	6,439	-	-	-	-	-	6,439
Warrants issued for future services in March 2008, vested through September 2008, valued at	-	-	332,000	-	(332,000)	-	-	-	

0.83/share									
Warrants									
issued for									
services in May									
2008, vested									
through									
September									
2008, valued at									
1.63/share	-	-	976,193	-	-	-	-	-	976,193
amortization									
of deferred									
charges	-	-	-	-	431,337	-	-	-	431,337
receivable for									
the issuance of									
common stock	-	-	-	(12,500)	-	-	-	-	(12,500)
realized loss									
reclassification	-	-	-	-	-	58,610	-	-	58,610
net loss for the									
year ending									
December 31,									
2008	-	-	-	-	-	-	-	(4,340,607)	(4,340,607)
BALANCE AT									
DECEMBER									
31, 2008	35,911,156	\$ 35,911	\$14,196,060	\$ (12,500)	\$ (55,330)	\$ -	\$ (15,827)	\$ (13,941,776)	\$ 206,533

See accompanying notes to these financial statements.

## LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

## STATEMENT OF STOCKHOLDERS EQUITY

FOR THE PERIOD JANUARY 1, 2004 (INCEPTION OF DEVELOPMENT STAGE) TO

MARCH 31, 2010 (CONTINUED)

(UNAUDITED)

	Number of Shares	Common Stock	Paid-in Capital	Receivable for Issuance of Common Stock	Deferred Charges	Accumulated Deficit	Deficit Accumulated During Development Stage	Total
BALANCE AT DECEMBER 31, 2008	35,911,156	\$ 35,911	\$ 14,196,060	(12,500)	\$ (55,330)	\$ (15,827)	\$ (13,941,776)	206,538
Rights to purchase shares issued in January 2009, vested during 2009, valued at \$0.33/share	-	-	132,058	-	-	-	-	132,058
Common stock issued for services in January 2009, valued at \$0.58/share	100,000	100	57,900	-	-	-	-	58,000
Common stock issued for services & settlement for accounts payable January 2009 valued at \$0.25/share	100,000	100	24,900	-	-	-	-	25,000
Exercise of purchase right	180,550	181	44,957	-	-	-	-	45,138

agreement in January 2009 at \$0.25/share Exercise of warrants at \$0.25/share, pursuant to November 2008 adjusted stock offering	1,279,336	1,279	318,555					319,834
Exercise of warrants at \$0.001/share	400,000	400	-	-	-	-	-	400
Exercise of warrants at \$1.00/share	355,000	355	354,645					355,000
Options issued for services in November 2007, vested during 2009, valued at \$0.60/share	-	-	199,234	-	-	-	-	199,234
Options issued for services in January 2008, vested during 2009, valued at \$0.60/share	-	-	13,583	-	-	-	-	13,583
Options issued for services in July 2008, vested during 2009, valued at \$1.48/share	-	-	67,838	-	-	-	-	67,838
Options issued for services in August 2008, vested during 2009, valued at \$1.36/share	-	-	623,246	-	-	-	-	623,246
Options issued for services in November 2008, vested during 2009, valued at \$0.50/share	-	-	61,346	-	-	-	-	61,346
Options issued for services in January 2009, vested during 2009, valued at	-	-	13,136	-	-	-	-	13,136

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\$0.53/share Options issued for services in February 2009, vested during 2009, valued at \$0.38/share	-	-	9,583	-	-	-	-	9,583
Options issued for services in June 2009, vested during 2009, valued at \$0.85/share	-	-	21,085	-	-	-	-	21,085
Warrants issued for services in June 2009, vested during 2009, valued at \$0.85/share	-	-	177,881	-	-	-	-	177,881
Contribution of accrued payroll in February 2009	-	-	52,129	-	-	-	-	52,129
Amortization of deferred charges	-	-	-	-	55,330	-	-	55,330
Payment for the issuance of common stock	-	-	-	12,500	-	-	-	12,500
Common stock issued for services in June 2009, valued at \$0.34/share	116,000	116	39,884	-	-	-	-	40,000
Common stock issued for services & settlement for accounts payable June 2009								
valued at \$0.34/share	145,000	145	49,855					50,000
Common stock issued in private placement during June 2009 at \$0.34/share	2,479,500	2,480	852,520	-	-	-	-	855,000
Common stock issued for services in July 2009, valued at	100,000	100	74,900	-	-	-	-	75,000

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\$0.75/share Net loss for the year ending December 31, 2009	-	-	-	-	-	-	(2,721,871)	(2,721,871)
 BALANCE AT December 31, 2009	41,166,542	41,167	17,385,295	-	-	(15,827)	(16,663,647)	746,988
 Options issued for services in November 2007, vested during 2010, valued at \$0.60/share	-	-	49,126	-	-	-	-	49,126
Options issued for services in January 2008, vested during 2010, valued at \$0.60/share	-	-	3,667	-	-	-	-	3,667
Options issued for services in July 2008, vested during 2010, valued at \$1.48/share	-	-	18,262	-	-	-	-	18,262
Options issued for services in August 2008, vested during 2010, valued at \$1.36/share	-	-	158,747	-	-	-	-	158,747
Options issued for services in November 2008, vested during 2010, valued at \$0.50/share	-	-	7,762	-	-	-	-	7,762
Warrants issued for services in June 2009, vested during 2010, valued at	-	-	53,365	-	-	-	-	53,365

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\$0.85/share Warrants issued for services in January 2010, vested during 2010, valued at \$1.83/share			356,400					356,400
Warrants issued for services in March 2010, vested during 2010, valued at \$1.86/share	-	-	5,352	-	-	-	-	5,352
Net loss for the three months ending March 31, 2010	-	-	-	-	-	-	(1,010,652)	(1,010,652)
 BALANCE AT MARCH 31, 2010 (UNAUDITED)	41,166,542\$	41,167\$	18,037,976\$	-\$	-\$	(15,827)\$	(17,674,299)\$	389,017

See accompanying notes to these financial statements.



## LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

## STATEMENTS OF CASH FLOW FOR THE THREE MONTHS ENDING

MARCH 31, 2010 AND 2009 AND

FOR THE PERIOD JANUARY 1, 2004 (INCEPTION OF DEVELOPMENT STAGE) TO

MARCH 31, 2010

(UNAUDITED)

	Cumulative Since Inception	For the Three Months Ending March 31, 2010	For the Three Months Ending March 31, 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (17,674,299)	\$ (1,010,652)	\$ (757,398)
Adjustment to reconcile net loss to net cash used in operating activities			
Amortization of deferred charges	4,392,456	-	55,330
Amortization of prepaid expenses	56,250	18,750	-
Warrants issued for services	2,655,434	415,117	-
Stock options issued for services	3,075,776	237,564	262,071
Common stock issued for services	1,093,292	-	73,000
Purchase right agreement amortization	132,058	-	132,058
Depreciation	85,183	7,316	3,026
Realized gain on investments	(3,911)	-	-
Realized gain on disposal of assets	(637)	-	-
(Increase) decrease in assets			
Receivables	(30,461)	-	-
Prepaid expenses	(40,454)	(24,581)	1,524
Increase (decrease) in liabilities			
Accounts payable	212,136	8,490	(17,903)
Accounts payable - related party	7,541	(4,580)	(7,172)
Accrued expenses	38,066	2,627	(3,988)
Net cash used in operating activities	(6,001,570)	(349,949)	(259,452)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cost of intangibles	(276,456)	(15,241)	(1,185)
Proceeds from sale of available for sale securities	203,911	-	-
Proceeds from receipt of note receivable	100,000	-	-

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Purchase of available for sale securities	(200,000)	-	-
Purchase of equipment, furniture and leasehold improvements	(160,037)	(15,333)	-
Net cash used in investing activities	(332,582)	(30,574)	(1,185)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of common stock, private placement	4,995,524	-	-
Common stock rescinded, private placement	(200,000)	-	-
Issuance of common stock, exercise of warrants	1,038,004	-	320,234
Issuance of common stock, exercise of purchase right agreement	45,138	-	35,138
Repayment of notes payable	(14,970)	-	-
Proceeds from subscription receivable	19,000	-	12,500
Advances to stockholders	(4,933)	-	-
Proceeds from convertible notes	529,000	-	-
Advances from officers	1,498	-	-
Net cash provided by financing activities	6,408,261	-	367,872
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>74,108</b>	<b>(380,523)</b>	<b>107,235</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<b>5,358</b>	<b>459,989</b>	<b>88,225</b>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 79,466</b>	<b>\$ 79,466</b>	<b>\$ 195,460</b>

See accompanying notes to these financial statements.

## LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

## STATEMENTS OF CASH FLOW FOR THE THREE MONTHS ENDING

MARCH 31, 2010 AND 2009 AND

FOR THE PERIOD JANUARY 1, 2004 (INCEPTION OF DEVELOPMENT STAGE) TO

MARCH 31, 2010

(UNAUDITED)

	Cumulative Since Inception	For the Three Months Ending March 31, 2010	For the Three Months Ending March 31, 2009
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
<b>CASH PAID DURING THE PERIOD FOR:</b>			
Interest	\$ 22,453	\$ 66	\$ 414
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>			
Common stock issued in exchange for deferred charges	\$ 3,142,400	\$ -	\$ -
Warrants issued in exchange for deferred charges	\$ 1,581,056	\$ -	\$ -
Common stock issued as settlement for accounts payable	\$ 74,708	\$ -	\$ 10,000
Realized loss reclassification	\$ -	\$ -	\$ -
Accrued interest contributed as capital	\$ 35,624	\$ -	\$ -
Common stock issued in the conversion of notes payable	\$ 529,000	\$ -	\$ -
	\$ 24,643	\$ -	\$ -

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Acquisition of automobile through loan payable

Common stock issued upon exercise of a warrant

in exchange for receivable	\$	75,000	\$	-	\$	-
Insurance company pay off of note payable	\$	9,673	\$	-	\$	-
Receivable for issuance of common stock	\$	10,000	\$	-	\$	10,000
Contribution of officer accrued payroll	\$	52,129	\$	-	\$	52,129
Common stock issued for prepaid expense	\$	75,000	\$	-	\$	-

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 1- FINANCIAL STATEMENTS**

The accompanying unaudited financials statements have been prepared by Lightwave Logic, Inc. (the Company). These statements include all adjustments (consisting only of its normal recurring adjustments) which management believes necessary for a fair presentation of the statements and have been prepared on a consistent basis using the accounting polices described in the Summary of Accounting Policies included in the 2009 Annual Report. Certain financial information and footnote disclosures normally indicated in financial statements prepared in accordance with accounting principals generally accepted in the United States have been condensed or omitted pursuant to those rules and regulations, although the Company firmly believes that the accompanying disclosures are adequate to make the information presented not misleading. The financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission. The interim operating results for the three months ending March 31, 2010 may not be indicative of operating results expected for the full year.

**Loss Per Share**

The Company follows Financial Accounting Standards Board Accounting Standards Codification ( FASB ASC ) 260, Earnings per Share , resulting in the presentation of basic and diluted earnings per share. Because the Company reported a net loss in 2010 and 2009, common stock equivalents, including stock options and warrants were anti-dilutive; therefore, the amounts reported for basic and dilutive loss per share were the same.

**Comprehensive Income**

The Company follows FASB ASC 220.10, Reporting Comprehensive Income. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income.

**Recently Issued Accounting Pronouncements Not Yet Adopted**

In April 2010 the FASB issued Accounting Standards Update (ASU) No. 2010-13, Compensation – Stock Compensation (ASC Topic 718), Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades. This Update provides amendments to Accounting Standards Codification (ASC) Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this Update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The cumulative-effect adjustment should be presented separately. Earlier application is permitted.

As of March 31, 2010, there are no recently issued accounting standards not yet adopted which would have a material effect on the Company's financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 1- FINANCIAL STATEMENTS (CONTINUED)**

**Recently Adopted Accounting Pronouncements**

In January 2010, FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (ASC Topic 820), Improving Disclosures about Fair Value Measurements. This update provides amendments to ASC Topic 820 that will provide more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. This standard is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

This standard is not currently applicable to the Company.

In January 2010, FASB issued ASU No. 2010-05, Compensation – Stock Compensation (ASC Topic 718), Escrowed Share Arrangements and the Presumption of Compensation. This update codifies Emerging Issues Task Force D-110. This standard is not currently applicable to the Company.

In January 2010, FASB issued ASU N0. 2010-01, Equity (ASC Topic 505), Accounting for Distributions to Shareholders with Components of Stock and Cash. The update clarifies that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected prospectively in earnings per share and is not considered a stock dividend for purposes of ASC Topic 505 and Topic 260, Earnings Per Share. This standard is effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis.

This standard is not currently applicable to the Company.

**NOTE 2 GOING CONCERN**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred significant losses and experienced negative cash flow during the development stage. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company is in the development stage at March 31, 2010. With the \$447,200 of proceeds from exercise of warrants and options that were exercised in April and May, 2010, there should be necessary funds to maintain its operations through the middle of September 2010. The Company has developed three prototype modulator concepts of which one is completed and the successful electrical and optical performance testing was announced in March 2010. The Company continues to develop and test its next generation Electro-Optic material platform (matrix) to support and cultivate potential customers and strategic partners. Management believes the Company's first revenue will be in Application, non-recurring engineering and prototype charges for specialty electro-optical devices using our patent pending application specific electro-optic materials. Management believes the Company's business model is attractive enough to investors to raise necessary capital. The successful completion of the Company's prototypes could lead to adequate financing to fulfill its development activities and achieve a level of revenue adequate to support the Company's business model for the foreseeable future. However, there can be no assurances that the Company will be able to secure the necessary financing and/or equity investment or achieve an adequate sales level.



## LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 3 EQUIPMENT**

Equipment consists of the following:

	March 31, 2010	December 31, 2009
Office equipment	\$ 11,632	\$ 10,768
Lab equipment	144,004	138,397
Furniture	3,494	-
Leasehold Improvements	5,368	-
	164,498	149,165
Less: Accumulated depreciation	52,394	45,078
	\$ 112,104	\$ 104,087

Depreciation expense for the three months ending March 31, 2010 and 2009 was \$7,316 and \$3,026.

**NOTE 4 INTANGIBLE ASSETS**

This represents legal fees and patent fees associated with the registration of patents. The Company has not recorded any amortization expenses since the patents have yet to be declared effective. Once issued, the cost of the patents will be amortized over their legal lives, which is generally 20 years.

**NOTE 5 INCOME TAXES**

There is no income tax benefit for the losses for the three months ended March 31, 2010 and 2009 since management has determined that the realization of the net deferred tax asset is not assured and has created a valuation allowance for the entire amount of such benefits.

The Company's policy is to record interest and penalties associated with unrecognized tax benefits as additional income taxes in the statement of operations. As of January 1, 2010, the Company had no unrecognized tax benefits, or any tax related interest or penalties. There were no changes in the Company's unrecognized tax benefits during the period ended March 31, 2010. The Company did not recognize any interest or penalties during 2010 related to unrecognized tax benefits. With few exceptions, the U.S. and state income tax returns filed for the tax years ending on December 31, 2006 and thereafter are subject to examination by the relevant taxing authorities.

**NOTE 6 STOCKHOLDERS EQUITY**

**Preferred Stock**

Pursuant to our Company's Articles of Incorporation, our board of directors is empowered, without stockholder approval, to issue series of preferred stock with any designations, rights and preferences as they may from time to time determine. The rights and preferences of this preferred stock may be superior to the rights and preferences of our common stock; consequently, preferred stock, if issued could have dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the common stock. Additionally, preferred stock, if issued, could be utilized, under special circumstances, as a method of discouraging, delaying or preventing a change in control of our business or a takeover from a third party.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)**

**Common Stock and Warrants**

The stockholders' deficit at January 1, 2004 has been retroactively restated for the equivalent number of shares received in the reverse acquisition at July 14, 2004 (Note 1) after giving effect to the difference in par value with the offset to additional paid-in-capital.

In July 2004, the Company issued to related parties 1,600,000 shares of its common stock for professional services valued at \$256,000, fair value.

In August 2004, the Company issued 637,500 shares of its common stock for professional services to related parties valued at \$75,000, fair value.

In December 2004, the Company converted a note payable of \$30,000 into 187,500 shares of common stock at a conversion price of \$0.16 per share.

In April 2005, the Company issued 4,000,000 shares of its common stock in a private placement for proceeds of \$1,000,000.

On May 4, 2005, the Company converted the notes payable of \$499,000 into 3,118,750 shares of common stock at a conversion price of \$0.16 per share. An unpaid note payable in the amount of \$6,500 has been reflected as a subscription receivable. During 2006, the Company deemed this \$6,500 outstanding subscription receivable to be

uncollectible.

During August 2005, the Company issued 210,000 shares of common stock for professional services rendered valued at \$585,500, fair value. Consulting expense of \$375,500 was recognized during 2005, and at December 31, 2005, the remaining balance of \$210,000 is reflected as a deferred charge on the balance sheet. During 2006, consulting expense of \$210,000 was recognized. This agreement ended in May 2006.

In August 2005, in conjunction with a management services contract with a related party, the Company issued 200,000 shares of common stock valued at \$584,000. Management expense of \$265,455 was recognized during 2005, and at December 31, 2005, the remaining balance of \$318,545 is reflected as a deferred charge in a contra-equity account. During 2006, management expense of \$318,545 was recognized. This agreement ended in June 2006.

During May 2005, the Company issued Stock Purchase Warrants to purchase 100,000 shares of common stock at an exercise price of \$2.10 in exchange for consulting services. The warrants are exercisable until May 2008 and vest as follows: 50,000 shares during the first year of the agreement, 25,000 shares during the second year of the agreement, and 25,000 shares during the third year. In accordance with the fair value method, the Company used the Black-Scholes model to calculate the grant-date fair value, with the following assumptions: no dividend yield, expected volatility of 60%, risk-free interest rate of 3.8% and expected life of option of three years. The fair market value of the warrants was \$113,250. In accordance with the fair value method as described in accounting requirements of FASB ASC 718 Stock Compensation, the Company recognized consulting expense of \$37,000 in 2005. This warrant was cancelled during 2006.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)**

**Common Stock and Warrants (Continued)**

During September 2005, the Company issued Stock Purchase Warrants to purchase 100,000 shares of common stock at an exercise price of \$2.00 in exchange for consulting services. The warrants expire in September 2008 and vest as follows: 50,000 shares during the first year of the agreement, 25,000 shares during the second year of the agreement, and 25,000 shares during the third year of the agreement. In accordance with the fair value method, the Company used the Black-Scholes model to calculate the grant-date fair value, with the following assumptions: no dividend yield, expected volatility of 60%, risk-free interest rate of 3.8% and expected life of option of three years. The fair market value of the warrants was \$145,100. The Company recognized consulting expense of \$27,014, \$36,370, \$66,500 and \$24,200 for the years ended December 31, 2008, 2007, 2006 and 2005 in conjunction with this agreement. These warrants expired in September 2008.

On October 15, 2005, the Company issued Stock Purchase Warrants to purchase 30,000 shares of common stock at an exercise price of \$1.40 in exchange for consulting services. The warrants expire in October 2006 and are exercisable immediately. In accordance with the fair value method, the Company used the Black-Scholes model to calculate the grant-date fair value, with the following assumptions: no dividend yield, expected volatility of 60%, risk-free interest rate of 4.15% and expected life of option of one year. The fair market value of the warrants was \$15,900. In accordance with the fair value method as described in accounting requirements of FASB ASC 718 Stock Compensation, the Company recognized consulting expense of \$15,900 during 2005. These warrants expired in October 2006.

In December 2005, in conjunction with a consulting contract, the Company issued Stock Purchase Warrants to purchase 300,000 shares of common stock at an exercise price of \$0.25 per share valued at \$435,060, fair value. The warrants expire in December 2007 and were exercisable immediately. In accordance with the fair value method, the Company used the Black-Scholes model to calculate the grant-date fair value, with the following assumptions: no dividend yield, expected volatility of 60%, risk-free interest rate of 4.41% and expected life of option of two years. In accordance with the fair value method as described in accounting requirements of FASB ASC 718 Stock

Compensation, the Company recognized consulting expense of \$199,435, and at December 31, 2005, the remaining balance in deferred charges amounted to \$235,625. The 300,000 warrants were fully exercised on December 31, 2005 for \$75,000. The Company recognized \$18,128 and \$217,497 in consulting expense in conjunction with this agreement for the years ended December 31, 2007 and 2006, which was cancelled during 2007.

During 2006, the Company issued 850,000 shares of common stock and warrants to purchase 425,000 shares of common stock for proceeds of \$425,000 in accordance to a private placement memorandum amended December 18, 2006. Pursuant to the terms of the amended offering, up to 20 units were offered at the offering price of \$50,000 per unit, with each unit comprise of 100,000 shares and a warrant to purchase 50,000 shares of common stock at \$0.50 per share. In November 2007, 400,000 shares of common stock and warrants to purchase 200,000 shares of common stock were rescinded. As of December 31, 2008, warrants to purchase 210,000 shares of common stock were fully exercised for proceeds of \$105,000, and warrants to purchase 15,000 shares expired.

During February 2006, the Company issued 300,000 shares of common stock for professional services rendered valued at \$270,000, fair value. The Company recognized consulting expense of \$16,875 and \$118,125 and legal expense of \$16,875 and \$118,125 during 2007 and 2006. The contracts expired during 2007. The legal services were provided by a related party.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)**

**Common Stock and Warrants (Continued)**

During May 2006, the Company issued 400,000 shares of common stock for professional services rendered valued at \$620,000, fair value. The Company recognized consulting expense of \$258,333 and \$361,667 during 2007 and 2006, and at December 31, 2006. The contracts expired during 2007.

During June 2006, the Company issued 25,000 shares of common stock to a related party for professional services rendered valued at \$36,250, fair value. The Company recognized legal expense of \$16,615 and \$19,635 during 2007 and 2006, and at December 31, 2006. The contracts expired during 2007.

During November 2006, the Company issued 60,000 shares of common stock for professional services valued at \$29,400, fair value. The Company recognized investor relations expense of \$25,480 and \$3,920 during 2007 and 2006. The contract expired during 2007.

In June 2006, in conjunction with an addendum to an existing consulting contract effective December 2005, the Company issued Stock Purchase Warrants to purchase 300,000 shares of common stock at an exercise price of \$0.25 per share. The warrants expire in June 2008 and were exercisable immediately. In accordance with the fair value method, the Company used the Black-Scholes model to calculate the grant-date fair value, with the following assumptions: no dividend yield, expected volatility of 186%, risk-free interest rate of 4.41% and expected life of option of two years. The fair market value of the warrants was \$465,996. During 2007 and 2006, the Company recognized consulting expense of \$330,948 and \$135,048 in conjunction with this agreement. The contract was cancelled during 2007. The 300,000 warrants were fully exercised on March 12, 2008 for proceeds of \$75,000.

During 2006, the Company cancelled a warrant issued during May 2005 to purchase 100,000 shares of the Company's common stock at an exercise price of \$2.10, and issued an option to purchase 500,000 shares of the Company's

common stock at an exercise price of \$1 per share and the same option's expiration and vesting terms were modified during November 2006. This option expired in June 2007. The incremental cost of the modified option was \$394,030 and will be expensed over the vesting terms. The Company recognized \$17,589 and \$406,215 as a consulting expense in 2007 and 2006, which includes \$337,290 of the incremental cost of the modified option.

During February 2006, the Company awarded an employee with an option to purchase 200,000 shares of common stock at an exercise price of \$1.00 per share under the 2005 Employee Stock Option Plan. These options were valued at \$217,628 using the Black-Scholes Option Pricing Formula. The employee compensation expense recognized during 2007 and 2006 is \$43,757 and \$22,673. In June 2007, the employee was terminated and the vesting ceased. After September 2007, the vested options expired.

During 2006, the Company recognized contributed capital of \$35,624 related to the conversion of accrued interest payable.

During 2006, the Company deemed a May 2005 outstanding subscription receivable of \$6,500 to be uncollectible.



LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)**

**Common Stock and Warrants (Continued)**

During 2007, the Company issued 2,482,000 shares of common stock and warrants to purchase 1,241,000 shares of common stock for proceeds of \$1,241,000 in accordance to a private placement memorandum amended December 18, 2006. Pursuant to the terms of the amended offering, up to 20 units were offered at the offering price of \$50,000 per unit, with each unit comprised of 100,000 shares and a warrant to purchase 50,000 shares of common stock at \$0.50 per share. For the six month ending June 30, 2009, the remaining 600,000 outstanding warrants expired.

During 2007, the Company issued 1,767,540 shares of common stock and warrants to purchase 883,770 shares of common stock for proceeds of \$1,060,524 in accordance to a private placement memorandum issued on October 3, 2007. Pursuant to the terms of the offering, up to 20 units were offered at the purchase price of \$60,000 per unit, with each unit comprised of 100,000 shares and a warrant to purchase 50,000 shares of common stock at \$1.00 per share. During 2009 and 2008, 416,000 and 82,770 warrants were exercised, respectively. For the year ending December 31, 2009, the remaining 385,000 outstanding warrants expired.

During 2007, as previously described, a shareholder that was issued 400,000 shares of the Company's common stock and a warrant to purchase 200,000 shares of common stock at \$0.50 per share rescinded his shares and warrant.

During February 2007, the Company issued 151,785 shares of common stock for investor relations services valued at \$106,250, fair value, which was recorded as a deferred charge and amortized over one year, the term of the services contract. During 2007, the Company recognized \$97,396 in investor relations expense. During 2008, the Company recognized \$8,854 in investor relations expense. This contract expired in February 2008.

During February 2007, the Company terminated its then CEO. The option to purchase 56,000 shares of common stock that was recorded as deferred charges of \$42,730 were not vested and were forfeited. The option to purchase

444,000 shares of common stock that were vested expired during 2007.

During March 2007, the Company issued 1,000,000 shares of common stock to a related party for management consulting services valued at \$580,000, fair value. During April 2007, the Company issued 500,000 warrants as an addendum to the original contract for management consulting services valued at \$348,000, fair value. This contract was recorded as a contra-equity deferred charges account and is amortized over one year, the term of the contract. Management consulting expense recognized during 2008 and 2007 is \$154,667 and \$773,333. This contract was renewed in March, 2008. The warrant is still outstanding as of March 31, 2010.

During April 2007, the Company issued 100,000 shares of common stock for legal services to a related party valued at \$35,000, fair value, to settle \$29,708 of accounts payable and as payment for \$5,292 of legal services incurred in April 2007.

During October 2007, the Company issued 150,000 shares of common stock for investor relations services valued at \$102,000, fair value to a related party. During 2007 the Company recognized \$102,000 in investor relation expense.

During October 2007, the Company issued 150,000 shares of common stock for investor relations services valued at \$135,000, fair value. During 2007, the Company recognized \$135,000 in investor relations expense.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)**

**Common Stock and Warrants (Continued)**

During November 2007, the Company issued 400,000 shares of common stock under the 2007 Stock Option Plan to the acting Chief Executive Officer for services rendered valued at \$288,000, fair value. The Company recognized \$288,000 in consulting expense during 2007.

During March 2007, the Company issued a warrant to purchase 100,000 shares of common stock for consulting services at an exercise price of \$0.25 per share. The warrant was valued at \$63,065 using the Black-Scholes Option Pricing Formula and expensed over the life of the contract associated with the consulting services, which is one year. The consulting expense recognized during 2008 and 2007 is \$10,885 and \$52,180. The warrants to purchase 100,000 shares of common stock are still outstanding as of March 31, 2010.

During April 2007, the Company issued warrants to purchase 900,000 shares of common stock for consulting services at an exercise price of \$0.25 per share. The warrants were valued at \$604,416 using the Black-Scholes Option Pricing Formula and expensed over the life of the contracts associated with the consulting services, which is one year. The consulting expense recognized during 2008 and 2007 is \$170,451 and \$433,966. In July 2008, a warrant was partially exercised to purchase 20,000 shares of common stock for proceeds of \$5,000. The warrants to purchase 880,000 shares of common stock are still outstanding as of March 31, 2010.

During May 2007, the Company issued a warrant to purchase 150,000 shares of common stock for consulting services at an exercise price of \$0.25 per share. The warrant was valued at \$84,390 using the Black-Scholes Option Pricing Formula and expensed over the life of the contract associated with the consulting services, which is one year. The consulting expense recognized during 2008 and 2007 is \$31,444 and \$52,946. The warrant is still outstanding as of March 31, 2010.

During October 2007, the Company issued a warrant to purchase 100,000 shares of common stock at a purchase price of \$0.25 per share for accounting services rendered. The warrant was valued at \$61,449 using the Black-Scholes Option Pricing Formula. The Company recognized \$61,449 in accounting expense during 2007. The warrant is still outstanding as of March 31, 2010.

During October 2007, the Company issued a warrant to purchase 67,200 shares of common stock at a purchase price of \$0.25 per share for consulting services rendered. The warrant was valued at \$52,292 using the Black-Scholes Option Pricing Formula. During 2007, the Company recognized \$52,292 in consulting expense. As of March 31, 2010, the warrant is still outstanding.

During December 2007, the Company issued a warrant to purchase 25,000 shares of common stock at a purchase price of \$0.50 per share for accounting services rendered. The warrant was valued at \$13,646 using the Black-Scholes Option Pricing Formula and expensed over the life of the contract, which is one year. The Company recognized \$12,487 and \$1,159 in consulting expense during 2008 and 2007. The warrant is still outstanding as of March 31, 2010.

During November 2007, under the 2007 Employee Stock Option Plan, the Company issued options to purchase 1,752,000 shares of common stock at a purchase price of \$0.72 per share. The options were valued at \$1,045,077 using the Black-Scholes Option Pricing Formula. During 2008, an option to purchase 750,000 shares of common stock, of which 125,000 shares were vested, forfeited. The consulting expense recognized during 2009, 2008 and 2007 is \$199,233, \$286,803 and \$41,653. For the three month ending March 31, 2010 and 2009, the Company recognized \$49,126 and \$49,126 of expense. The options are still outstanding as of March 31, 2010.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)**

**Common Stock and Warrants (Continued)**

In January 2008, under the 2007 Employee Stock Option Plan, the Company issued an option to purchase 100,000 shares of common stock at a purchase price of \$0.72 per share. The option was valued at \$59,490, fair value, using the Black-Scholes Option Pricing Formula and is being recognized based on vesting terms over a three year period. The expense recognized during 2009 and 2008 is \$13,582 and \$30,750. For the three month ending March 31, 2010 and 2009, the Company recognized \$3,667 and \$2,377 of expense. The options are still outstanding as of March 31, 2010.

During 2008, the Company issued 690,001 shares of common stock and warrants to purchase 345,001 shares of common stock for proceeds of \$414,000 in accordance to a private placement memorandum issued on October 3, 2007. Pursuant to the terms of the offerings, up to 25 units were offered at the purchase price of \$60,000 per unit, with each unit comprised of 100,000 shares and a warrant to purchase 50,000 shares of common stock at \$1.00 per share. For the three month ending March 31, 2010, warrants to purchase 8,334 shares of common stock expired. As of March 31, 2010, warrants to purchase 290,833 shares of common stock are still outstanding.

During March 2008, the Company issued a warrant to purchase 400,000 shares of common stock as an addendum to the original contract for management consulting services provided by a related party, valued at \$332,000, fair value using Black-Scholes Option Pricing Formula, vesting immediately. This contract was recorded as a contra-equity deferred charges account and is amortized over one year beginning February 28, 2008, the term of the contract. For the year ending December 31, 2009 and 2008, the Company recognized \$55,330 and \$276,670 of management consulting expense. For the three month ending March 31, 2010 and 2009, the Company recognized \$0 and \$55,330 of management consulting expense. In January 2009, the warrant was fully exercised to purchase 400,000 shares of common stock for proceeds of \$400.

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During March 2008, the company issued 100,000 shares of common stock for legal services to a related party valued at \$75,000, fair value. The Company recognized \$75,000 of legal expense for the year ending December 31, 2008.

During April 2008, the Company issued a warrant to purchase 600,000 shares of common stock at a purchase price of \$0.73 per share for consulting services rendered. The warrant was valued at \$976,193, fair value, using the Black-Scholes Option Pricing Formula, vesting immediately. For the year ended December 31, 2008, the Company recognized \$976,193 in consulting expense. The warrant is still outstanding as of March 31, 2010.

In July 2008, the Company issued options to purchase 200,000 shares of common stock at a purchase price of \$1.75 per share to members of the board of directors, under the 2007 Employee Stock Option Plan. Using the Black-Scholes Option Pricing Formula, the options were valued at \$296,247, fair value, vesting 50,000 immediately and the remaining in annual equal installments of 50,000 over the next three years. The expense is being recognized based on vesting terms over a three year period. The expense recognized during 2009 and 2008 is \$67,840 and \$114,519. For the three month ending March 31, 2010 and 2009, the Company recognized \$18,262 and \$12,039 of expense. The options are still outstanding as of March 31, 2010.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)**

**Common Stock and Warrants (Continued)**

In August 2008, under the 2007 Employee Stock Option Plan, the Company issued options to purchase 550,000 and 1,050,000 shares of common stock at a purchase price of \$1.42 and \$1.75 per share to members of the board of directors and the Chief Executive Officer, vesting 212,500 immediately and the remaining in annual equal installments of 112,500 over the next three years and vesting in quarterly equal installments of 87,500 commencing November 1, 2008, respectively. The options were valued at \$2,176,201, fair value, using the Black-Scholes Option Pricing Formula and are being recognized based on vesting terms over a three year period. The expense recognized during 2009 and 2008 is \$623,246 and \$525,263. For the three month ending March 31, 2010 and 2009, the Company recognized \$158,748 and \$138,180 of expense. The options are still outstanding as of March 31, 2010.

In August 2008, the Company issued 200,000 shares of common stock under the 2007 Stock Option Plan to its new Chief Executive Officer as part of the employment agreement valued at \$360,000, fair value. The Company recognized \$360,000 in consulting expense for the year ending December 31, 2008.

In 2008, January through August warrant holders exercised warrants to purchase 270,000 shares at \$0.50 per share for proceeds of \$135,000.

On October 28, 2008, the Company's board of directors authorized the Company to raise up to \$600,000 of capital through an Adjusted Common Stock Offering to certain warrant holders. This offering provided eligible warrant holders with the opportunity to purchase four (4) shares of common stock for each dollar invested pursuant to their existing warrant agreement. As of December 31, 2008, warrants to purchase 641,080 shares of common stock were exercised with proceeds of \$160,270. For the three month period ending March 31, 2009, warrants to purchase 1,279,336 shares of common stock were exercised with proceeds of \$319,834. In January 2009, the term of the 2008 Adjusted Common Stock offering was extended until January 31, 2009.

In November 2008, the Company issued an option to purchase 250,000 shares of common stock under the 2007 Stock Option Plan at a purchase price of \$.65 per share to a new member of its board of directors. Using the Black-Scholes Option Pricing Formula, the options were valued at \$125,911, fair value, vesting 62,500 immediately and the remaining in annual equal installments of 62,500 over the next three years. The expense is being recognized based on vesting terms over a three year period. The expense recognized during 2009 and 2008 is \$61,346 and \$6,439. For the three month ending March 31, 2010 and 2009, the Company recognized \$7,762 and \$37,630 of expense. The options are still outstanding as of March 31, 2010.

In January 2009, an employee was granted with an option to purchase up to 25,000 shares of common stock. Using the Black-Scholes Option Pricing Formula, the options were valued at valued at \$13,136, fair value. These options expire in 5 years and vest immediately. The Company recognized expense of \$13,136 during 2009. For the three month ending March 31, 2010 and 2009, the Company recognized \$0 and \$13,136 of expense. The options are still outstanding as of March 31, 2010.

During January 2009, the Company issued 100,000 shares of common stock to an officer, under the 2007 Stock Option Plan, for services rendered valued at \$58,000, fair value.

During January 2009, the Company issued 100,000 shares of common stock for legal services to a related party valued at \$25,000, to settle accounts payable for \$10,000 and \$15,000 for legal services.



LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)**

**Common Stock and Warrants (Continued)**

During January 2009, the officers, directors, and employees of the Company were each given the right to purchase from the Company's 2007 Employee Stock Plan up to 40,000 shares of common stock at a purchase price of \$.25 per share, 400,000 shares in the aggregate, all of which were valued at \$132,058, fair value using the Black-Scholes Option Pricing Formula. The rights to purchase vested immediately. A total of 180,550 shares were purchased pursuant to the rights to purchase with total proceeds of \$35,138 and a common stock receivable of \$10,000 which was paid in May, 2009. The rights to purchase the remaining 219,450 shares expired on January 31, 2009.

At December 31, 2008 the Company had accrued officer salaries and payroll taxes of \$98,205. On February 19, 2009, two officers, who are also shareholders, agreed to waive their rights to unpaid wages and salary amounting to \$52,129. Accordingly in the first quarter 2009, the accrued expense was adjusted from \$98,205 to \$42,088 with the \$52,129 treated as contributed capital and \$3,988 reversed from payroll taxes.

In February 2009, an employee was granted with an option to purchase up to 25,000 shares of common stock. Using the Black-Scholes Option Pricing Formula, the options were valued at \$9,583, fair value. These options expire in 5 years and vest immediately. The Company recognized expense of \$9,583 during 2009. For the three month ending March 31, 2010 and 2009, the Company recognized \$0 and \$9,583 of expense. The options are still outstanding as of March 31, 2010.

During June 2009, in accordance to private placement memorandum, the Company issued 2,479,500 shares of common stock for proceeds of \$855,000 dated June 10, 2009. Pursuant to the terms of the offering, up to 18 units were offered at the offering price of \$50,000 per unit, with each unit comprised of 145,000 shares to purchase at \$0.34 per share.

During June 2009, the Company issued a warrant to purchase 464,000 shares of common stock at a purchase price of \$0.34 per share for accounting services rendered. The warrant was valued at \$391,342 using the Black-Scholes Option Pricing Formula, vesting 46,400 immediately and the remaining on equal monthly installments of 23,200 over the next eighteen months. The expense is being recognized based on service terms of the agreement over a twenty two month period. The consulting expense recognized during 2009 is \$177,883. For the three month ending March 31, 2010 and 2009, the Company recognized \$53,365 and \$0 of expense. The warrant is still outstanding as of March 31, 2010.

In June 2009, an employee was granted with an option to purchase up to 25,000 shares of common stock at a purchase price of \$.34 per share. Using the Black-Scholes Option Pricing Formula, the options were valued at valued at \$21,085, fair value. These options expire in 5 years and vest immediately. The Company recognized expense of \$21,085 for the year ending December 31, 2009. For the three month ending March 31, 2010 and 2009, the Company recognized \$0 and \$0 of expense. The warrant is still outstanding as of March 31, 2010.

During June 2009, the Company issued 145,000 shares of common stock for legal services to a related party valued at \$50,000, to settle accounts payable for \$35,000 and \$15,000 for legal services.

During June 2009, the Company issued 116,000 shares of common stock for accounting services valued at \$40,000, fair value. The Company recognized \$40,000 of accounting expense for the year ending December 31, 2009.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)**

**Common Stock and Warrants (Continued)**

During July 2009, the Company issued 100,000 shares of common stock for investor relation services valued at \$75,000, fair value vesting 25,000 shares each quarter commencing July 1, 2009. The Company recognized \$37,500 of investor relation expense for the year ending December 31, 2009. For the three month ending March 31, 2010 and 2009, the Company recognized \$18,750 and \$0 of investor relation expense.

In January 2010, the Company issued a warrant to purchase 650,000 shares of common stock at a purchase price of \$1.51 per share to a new member of its board of directors serving as the Company's full-time non-executive chair of the board of directors. Using the Black-Scholes Option Pricing Formula, the warrants were valued at \$1,188,000, fair value, vesting 162,500 immediately and the remaining in annual equal installments of 162,500 over the next three years. For the three month ending March 31, 2010, the Company recognized \$356,400 of expense. The warrant is still outstanding as of March 31, 2010.

In March 2010, the Company issued a warrant to purchase 150,000 shares of common stock for consulting services at an exercise price of \$0.25 per share. Using the Black-Scholes Option Pricing Formula, the warrants were valued at \$279,045, fair value, vesting immediately. For the three month ending March 31, 2010, the Company recognized \$5,352 of expense. The warrant is still outstanding as of March 31, 2010.

**NOTE 7 STOCK BASED COMPENSATION**

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award, with the following assumptions for 2010 and 2009: no dividend yield in both years, expected volatility between 130% and 134% in 2010 and between 127% and 129% in 2009, risk-free interest rate between 1.69% and 2.57% in 2010 and between 0.03% and 1.89% in 2009 and expected option life of three to five years in 2010 and one month to five years in 2009.

As of March 31, 2010, there was \$2,417,554 of unrecognized compensation expense related to non-vested market-based share awards that is expected to be recognized through January 2013.

The following tables summarize all stock option and warrant activity of the Company since December 31, 2004:

## LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

## Non-Qualified Stock Options and Warrants Outstanding and Exercisable

	Number of Shares	Exercise Price	Weighted Average Exercise Price
Outstanding, December 31, 2004	-	\$ -	\$ -
Granted	680,000	\$0.25 - \$2.10	\$ 0.99
Exercised	(300,000)	\$ 0.25	\$ 0.25
Outstanding, December 31, 2005	380,000	\$1.40 - \$2.10	\$ 0.68
Granted	1,425,000	\$0.25 - \$1.00	\$ 0.70
Cancelled	(260,000)	\$1.40 - \$2.10	\$ (0.48)
Expired	(70,000)	\$1.40 - \$2.00	\$ (0.12)
Outstanding, December 31, 2006	1,475,000	\$0.25 - \$2.00	\$ 0.83
Granted	5,768,971	\$0.25 - \$0.72	\$ 0.48
Rescinded	(200,000)	\$ 0.50	\$ 0.50
Forfeited	(125,019)	\$ 1.00	\$ 1.00
Expired	(574,981)	\$ 1.00	\$ 1.00
Outstanding, December 31, 2007	6,343,971	\$0.25 - \$2.00	\$ 0.48
Granted	3,495,001	\$0.001 - \$1.75	\$ 1.16
Expired	(115,000)	\$0.50 - \$2.00	\$ 0.07
Forfeited	(750,000)	\$ 0.72	\$ 0.72
Exercised	(807,770)	\$0.25 - \$0.50	\$ 0.53
	8,166,202	\$0.001 - \$1.75	\$ 0.79

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Outstanding, December 31, 2008				
Granted	939,000	\$0.25 - \$0.45	\$	0.30
Expired	(1,204,451)	\$0.25 - \$1.00	\$	0.61
Forfeited	-			
Exercised	(1,488,384)	\$0.001 - \$1.00	\$	0.20
Outstanding, December 31, 2009	6,412,367	\$0.25 - \$1.75	\$	0.83
Granted	800,000	\$0.25 - \$1.51	\$	1.27
Expired	(8,334)	\$ 1.00	\$	1.00
Forfeited	-	-		-
Exercised	-	-		-
Outstanding, March 31, 2010	7,204,033	\$0.25 - \$1.75	\$	0.88
Exercisable, March 31, 2010	5,257,233	\$0.25 - \$1.75	\$	0.73

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 7 STOCK BASED COMPENSATION (CONTINUED)**

Range of Exercise Prices	Non-Qualified Stock Options and Warrants Outstanding Number Outstanding		Weighted Average Exercise Price of Options and Warrants Currently Exercisable
	Currently Exercisable at March 31, 2010	Remaining Contractual Life	
\$0.25 - \$1.75	5,257,233	2.62 Years	\$ 0.73

**NOTE 8 CONTINGENCY**

**2005 Private Offering**

During 2005, the Company raised \$1,000,000 through the sale of 4,000,000 shares of common stock in a limited offering to persons believed to be accredited investors. The Company received a legal opinion from third party outside counsel as to the availability of an exemption from registration with the U.S. Securities and Exchange Commission ( SEC ) with respect to the limited offering. In December 2005, the Company was informed by the SEC that it is investigating the circumstances surrounding the \$1,000,000 offering including the subsequent public resale of certain shares originally sold in the offering, along with related matters. The Company has further been informed that the original issuance of the stock and subsequent resale may have been done, in the opinion of the SEC, in violation of the registration provisions of the Securities Act of 1933, as amended. These matters could lead to enforcement action by the SEC.

In or around January 2007, the SEC issued an investigative subpoena to the Company directing it to produce specified documents and information. Thereafter, an SEC subpoena seeking testimony by the Company's president was issued. The Company and its president have complied with all of the SEC's requests for documents and testimony. The SEC has not indicated whether or not it intends to take any action against the Company or any of its officers, directors or employees. There has been no communications with the SEC regarding this matter since December 2007.

**NOTE 9 RELATED PARTY**

Under the management agreement dated August 1, 2005, the related party was issued 200,000 shares of common stock with a fair value of \$584,000 which was amortized over the term of the agreement (one year), which expired in 2006. In February 2007, the Company entered into a contract with the related party and issued 1,000,000 shares of common stock with a fair value of \$580,000. In addition, the Company issued a warrant to purchase 500,000 shares of its common stock with a fair value of \$348,000. This contract was renewed in March 2008 and the Company issued a warrant to purchase 400,000 shares of its common stock in exchange for management services for one year, valued at \$332,000, fair value. For the three month period ending March 31, 2010 and 2009, the Company recognized \$0 and \$55,330 in management expense. The Company decided not to renew its management contract. The contract was terminated on February 28, 2009.

At March 31, 2010 the Company has accrued officer salaries of \$46,588.



LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

**NOTE 10 SUBSEQUENT EVENTS**

Through May 17, 2010, warrants and options to purchase 937,500 shares of common stock were exercised with total proceeds of \$447,200.

**Item 2.**

**Management's Discussion and Analysis of Financial Condition and Results of  
Operations**

The following management's discussi