

Lightwave Logic, Inc.
Form 10-Q
August 16, 2010

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

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 June 30, 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
Incorporation or Organization)

(I.R.S. Employer Identification No.)

121 Continental Drive
Suite 110

Newark, DE

19713

(Address of principal executive offices)

(Zip Code)

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

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

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 August 16, 2010 was 42,384,042.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

| | | Page |
|---------|---|-------------|
| Part I | Financial Information | 2 |
| Item 1 | Financial Statements | 2 |
| Item 2 | Management's Discussion and Analysis of Financial Condition and Results of Operations | 27 |
| Item 4 | Controls and Procedures | 39 |
| Part II | Other Information | 40 |
| Item 2 | Unregistered Sales of Equity Securities and Use of Proceeds | 40 |
| Item 6 | Exhibits | 41 |
| | Signatures | 42 |

PART I FINANCIAL INFORMATION

ITEM 1.

FINANCIAL INFORMATION

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

FINANCIAL STATEMENTS

JUNE 30, 2010

(UNAUDITED)

CONTENTS

| | <u>PAGE</u> |
|-----------------------------------|-------------|
| BALANCE SHEETS | 3 |
| STATEMENTS OF OPERATIONS | 4 |
| STATEMENTS OF STOCKHOLDERS EQUITY | 5 - 7 |
| STATEMENTS OF CASH FLOWS | 8 - 9 |
| NOTES TO FINANCIAL STATEMENTS | 10 - 26 |

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

BALANCE SHEETS

| | June 30, 2010 (Unaudited) | December 31, 2009 (Audited) |
|--|------------------------------|--------------------------------|
| ASSETS | | |
| CURRENT ASSETS | \$ | \$ |
| Cash and cash equivalents | 166,425 | 459,989 |
| Accounts receivable | 600 | |
| Prepaid expenses | 5,277 | 53,373 |
| | 172,302 | 513,362 |
| PROPERTY AND EQUIPMENT - NET | 104,798 | 104,087 |
| OTHER ASSETS | | |
| Intangible assets | 287,929 | 261,215 |
| | \$ | \$ |
| TOTAL ASSETS | 565,029 | 878,664 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | \$ | \$ |
| Accounts payable | 61,864 | 70,730 |
| Accounts payable - related party | 19,308 | 12,121 |
| Accrued expenses | 54,141 | 48,825 |
| CONTINGENCY | | |
| TOTAL LIABILITIES | 135,313 | 131,676 |
| STOCKHOLDERS' EQUITY | | |
| 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 | | |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | |
|--|----------------|----------------|
| 42,229,042 and 41,166,542 issued and outstanding at June 30, 2010 and December 31, 2009 | 42,230 | 41,167 |
| Additional paid-in-capital | 18,958,037 | 17,385,295 |
| Accumulated deficit | (15,827) | (15,827) |
| Deficit accumulated during development stage | (18,554,724) | (16,663,647) |
| TOTAL STOCKHOLDERS' EQUITY | 429,716 | 746,988 |
| | \$ | \$ |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | 565,029 | 878,664 |

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND SIX MONTHS ENDING JUNE 30, 2010 AND 2009 AND FOR THE
PERIOD JANUARY 1, 2004 (INCEPTION OF DEVELOPMENT STAGE) TO JUNE 30, 2010

(UNAUDITED)

| | Cumulative Since Inception | For the Three Months Ending June 30, 2010 | For the Three Months Ending June 30, 2009 | For the Six Months Ending June 30, 2010 | For the Six Months Ending June 30, 2009 |
|--|----------------------------------|--|--|--|--|
| | \$ | \$ | \$ | \$ | \$ |
| NET SALES | 3,200 | 3,200 | - | 3,200 | - |
| COST AND EXPENSE | | | | | |
| Research and development | 7,191,422 | 319,715 | 272,920 | 599,208 | 722,636 |
| General and administrative | 11,319,929 | 563,754 | 404,701 | 1,294,966 | 711,969 |
| | 18,511,351 | 883,469 | 677,621 | 1,894,174 | 1,434,605 |
| LOSS FROM OPERATIONS | (18,508,151) | (880,269) | (677,621) | (1,890,974) | (1,434,605) |
| OTHER INCOME (EXPENSE) | | | | | |
| Interest income | 30,079 | 32 | 6 | 152 | 8 |
| Dividend income | 1,551 | - | - | - | - |
| Realized gain (loss) on investment | 3,911 | - | - | - | - |
| Realized gain on disposal of assets | 637 | - | - | - | - |
| Litigation settlement | (47,500) | | | | |
| Interest expense | (35,251) | (188) | (588) | (255) | (1,003) |
| NET LOSS | \$ | \$ | \$ | \$ | \$ |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | |
|---|--------------|------------|------------|-------------|-------------|
| | (18,554,724) | (880,425) | (678,203) | (1,891,077) | (1,435,600) |
| | \$ | \$ | \$ | \$ | |
| Basic and Diluted Loss per Share | | (0.02) | (0.02) | (0.05) | (0.04) |
| Basic and Diluted Weighted Average Number of Shares | | 42,012,174 | 38,341,509 | 41,589,358 | 37,876,736 |

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

JUNE 30, 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) | \$ - | \$ (15,826) |
| Retroactive recapitalization upon reverse acquisition | 706,973 | 706 | (706) | - | - | - | - | - | - |
| BALANCE AT JANUARY 1, 2004 | 707,073 | 707 | (706) | - | - | - | (15,827) | - | (15,826) |
| Common stock issued to founders | 13,292,927 | 13,293 | (13,293) | - | - | - | - | - | - |
| Common stock issued for future services in July 2004 at \$0.16/share | 1,600,000 | 1,600 | 254,400 | - | - | - | - | - | 256,000 |
| Common stock issued at merger | 2,000,000 | 2,000 | (2,000) | - | - | - | - | - | - |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | | |
|--|-------------------|---------------|----------------|----------|----------|----------|-----------------|------------------|------------------|
| Common stock issued for future services in August 2004 at \$0.12/share | 637,500 | 638 | 74,362 | - | - | - | - | - | 75,000 |
| Conversion of note 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) |
| BALANCE AT DECEMBER 31, 2004 | 18,425,000 | 18,425 | 342,576 | - | - | - | (15,827) | (722,146) | (376,972) |
| 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 notes payable in May 2005 at \$0.16/share | 3,118,750 | 3,119 | 495,881 | - | - | - | - | - | 499,000 |
| Subscription receivable | - | - | - | (6,500) | - | - | - | - | (6,500) |
| Common stock issued for future services in August 2005, valued at \$2.79/share | 210,000 | 210 | 585,290 | - | - | - | - | - | 585,500 |
| Common stock issued for future services in August 2005, valued at \$2.92/share | 200,000 | 200 | 583,800 | - | - | - | - | - | 584,000 |
| Warrants issued for services in May 2005, vested during 2005, valued at \$1.13/share | - | - | 37,000 | - | - | - | - | - | 37,000 |
| Warrants issued for services in | - | - | 24,200 | - | - | - | - | - | 24,200 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | | |
|--|-------------------|---------------|------------------|----------------|------------------|----------|-----------------|--------------------|----------------|
| September 2005, vested during 2005, valued at \$1.45/share | | | | | | | | | |
| Warrants issued for services in October 2005, vested during 2005, | - | - | 15,900 | - | - | - | - | - | 15,900 |
| valued at \$0.53/share | | | | | | | | | |
| Warrants issued for future services in December 2005, vested during 2005, | - | - | 435,060 | - | - | - | - | - | 435,060 |
| valued at \$1.45/share | | | | | | | | | |
| Deferred charges for common stock issued for future services in August 2005, | - | - | - | - | (584,000) | - | - | - | (584,000) |
| valued at \$2.92/share | | | | | | | | | |
| Amortization of deferred charges | - | - | - | - | 265,455 | - | - | - | 265,455 |
| Exercise of warrants in December 2005 at \$0.25/share | 300,000 | 300 | 74,700 | - | - | - | - | - | 75,000 |
| Net loss for the year ended December 31, 2005 | - | - | - | - | - | - | - | (1,721,765) | (1,721,765) |
| BALANCE AT DECEMBER 31, 2005 | 26,253,750 | 26,254 | 3,590,407 | (6,500) | (318,545) | - | (15,827) | (2,443,911) | 831,878 |
| Common stock issued in private placement during 2006 at \$0.50/share | 850,000 | 850 | 424,150 | - | - | - | - | - | 425,000 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | | |
|--|---------|-----|---------|-------|---------|---|---|---|---------|
| Common stock issued for future services in February 2006, valued at \$0.90/share | 300,000 | 300 | 269,700 | - | - | - | - | - | 270,000 |
| Common stock issued for future services in May 2006, valued at \$1.55/share | 400,000 | 400 | 619,600 | - | - | - | - | - | 620,000 |
| Common stock issued for future services in June 2006, valued at \$1.45/share | 25,000 | 25 | 36,225 | - | - | - | - | - | 36,250 |
| Common stock issued for future services in November 2006, valued at \$0.49/share | 60,000 | 60 | 29,340 | - | - | - | - | - | 29,400 |
| Warrants issued for services in September 2005, vested during 2006, valued at \$1.45/share | - | - | 66,500 | - | - | - | - | - | 66,500 |
| Warrants issued for future services in June 2006, vested during 2006, valued at \$1.55/share | - | - | 465,996 | - | - | - | - | - | 465,996 |
| Options issued for services in February 2006, vested during 2006, valued at \$1.01/share | - | - | 428,888 | - | - | - | - | - | 428,888 |
| Contributed capital related to accrued interest | - | - | 35,624 | - | - | - | - | - | 35,624 |
| Subscription receivable | - | - | - | 6,500 | - | - | - | - | 6,500 |
| Amortization of deferred | - | - | - | - | 318,545 | - | - | - | 318,545 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | | |
|--|------------|--------|--------------|------|------|-------------|-------------|----------------|-------------|
| charges | | | | | | | | | |
| Unrealized gain | | | | | | | | | |
| (loss) on securities | - | - | - | - | - | (26,000) | - | - | (26,000) |
| Net loss for the year ending December 31, 2006 | - | - | - | - | - | - | - | (2,933,809) | (2,933,809) |
| BALANCE AT DECEMBER 31, 2006 | 27,888,750 | 27,889 | \$ 5,966,430 | \$ - | \$ - | \$ (26,000) | \$ (15,827) | \$ (5,377,720) | \$ 574,772 |

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

JUNE 30, 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 | 151,785 | 152 | 106,098 | - | - | - | - | - | 106,250 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | | |
|--|-----------|-------|---------|---|---|---|---|---|---------|
| 2007, valued at \$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 |
| | - | - | 293,476 | - | - | - | - | - | 293,476 |

| | | | | | | | | | |
|---|---|---|---------|---|---|---|---|---|---------|
| Warrants issued for services in 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 | - | - | | - | - | - | - | - | |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | | |
|---|-------------------|---------------|-------------------|----------|------------------|-----------------|-----------------|--------------------|----------------|
| February 2006, vested during 2007, valued at \$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) |
| BALANCE AT DECEMBER 31, 2007 | 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, | 100,000 | 100 | 74,900 | - | - | - | - | - | 75,000 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | | |
|---|---------|-----|---------|---|---|---|---|---|---------|
| valued at \$0.75/share Common stock issued for services in August 2008, valued at \$1.80/share | 200,000 | 200 | 359,800 | - | - | - | - | - | 360,000 |
| 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 |
| | - | - | 31,444 | - | - | - | - | - | 31,444 |

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

| | | | | | | | | | |
|--|------------|--------|------------|----------|----------|--------|----------|--------------|-------------|
| vested through September 2008, valued at \$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 Receivable for the issuance of common stock | - | - | - | - | 431,337 | - | - | - | 431,337 |
| Realized loss reclassification Net loss for the year ending December 31, 2008 | - | - | - | (12,500) | - | - | - | - | (12,500) |
| | - | - | - | - | - | 58,610 | - | - | 58,610 |
| | - | - | - | - | - | - | - | (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) | 206,538 |

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

JUNE 30, 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 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | |
|--|-----------|-------|---------|---|---|---|---|---------|
| Exercise of purchase right agreement in January 2009 at \$0.25/share | 180,550 | 181 | 44,957 | - | - | - | - | 45,138 |
| 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, | - | - | 13,136 | - | - | - | - | 13,136 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | |
|---|-----------|-------|---------|--------|--------|---|---|---------|
| vested during 2009, valued at \$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 \$0.75/share | 100,000 | 100 | 74,900 | - | - | - | - | 75,000 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | |
|--|------------|--------|------------|---|---|----------|--------------|-------------|
| 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 | - | - | 98,798 | - | - | - | - | 98,798 |
| Options issued for services in January 2008, vested during 2010, valued at \$0.60/share | - | - | 7,375 | - | - | - | - | 7,375 |
| Options issued for services in July 2008, vested during 2010, valued at \$1.48/share | - | - | 36,727 | - | - | - | - | 36,727 |
| Options issued for services in August 2008, vested during 2010, valued at \$1.36/share | - | - | 319,260 | - | - | - | - | 319,260 |
| Options issued for services in November 2008, vested during 2010, valued at \$0.50/share | - | - | 15,610 | - | - | - | - | 15,610 |
| Warrants issued for services in June 2009, vested during 2010, valued at \$0.85/share | - | - | 106,730 | - | - | - | - | 106,730 |
| Warrants issued for services in January 2010, vested during 2010, valued at \$1.83/share | | | 430,447 | | | | | 430,447 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | | | | | |
|--|---------------|-----------|---------------|------|------|-------------|-----------------|-------------|
| Warrants issued for services in March 2010, vested during 2010, valued at \$1.86/share | - | - | 74,158 | - | - | - | - | 74,158 |
| Exercise of warrants at \$0.25/share | 730,000 | 730 | 181,770 | | | | | 182,500 |
| Exercise of options at \$0.25/share | 15,000 | 15 | 3,735 | | | | | 3,750 |
| Exercise of warrants at \$0.345/share | 10,000 | 10 | 3,440 | | | | | 3,450 |
| Exercise of warrants at \$0.50/share | 25,000 | 25 | 12,475 | | | | | 12,500 |
| Exercise of warrants at \$1.00/share | 282,500 | 283 | 282,218 | | | | | 282,500 |
| Net loss for the six months ending June 30, 2010 | - | - | - | - | - | - | (1,891,077) | (1,891,077) |
| BALANCE AT JUNE 30, 2010 (UNAUDITED) | \$ 42,229,042 | \$ 42,230 | \$ 18,958,037 | \$ - | \$ - | \$ (15,827) | \$ (18,554,724) | \$ 429,716 |

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

STATEMENTS OF CASH FLOW FOR THE SIX MONTHS ENDING

JUNE 30, 2010 AND 2009 AND

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

JUNE 30, 2010

(UNAUDITED)

| | Cumulative Since Inception | For the Six Months Ending June 30, 2010 | For the Six Months Ending June 30, 2009 |
|--|----------------------------------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| | \$ | \$ | \$ |
| Net loss | (18,554,724) | (1,891,077) | (1,435,600) |
| 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 | 75,000 | 37,500 | - |
| Warrants issued for services | 2,851,652 | 611,335 | 71,151 |
| Stock options issued for services | 3,315,982 | 477,770 | 523,363 |
| Common stock issued for services | 1,093,292 | - | 128,000 |
| Purchase right agreement amortization | 132,058 | - | 132,058 |
| Depreciation | 92,489 | 14,622 | 6,348 |
| Realized gain on investments | (3,911) | - | - |
| Realized gain on disposal of assets | (637) | - | - |
| (Increase) decrease in assets | | | |
| Receivables | (31,061) | (600) | - |
| Prepaid expenses | (5,277) | 10,596 | 6,867 |
| Increase (decrease) in liabilities | | | |
| Accounts payable | 198,771 | (4,875) | 1,653 |
| Accounts payable - related party | 19,308 | 7,187 | (7,172) |
| Accrued expenses | 36,764 | 1,325 | (3,988) |
| Net cash used in operating activities | (6,387,838) | (736,217) | (521,990) |

CASH FLOWS FROM INVESTING
ACTIVITIES

| | | | |
|---|-----------|----------|---------|
| Cost of intangibles | (287,929) | (26,714) | (3,145) |
| Proceeds from sale of available for sale securities | 203,911 | - | - |
| Proceeds from receipt of note receivable | 100,000 | - | - |
| 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 | (344,055) | (42,047) | (3,145) |

CASH FLOWS FROM FINANCING
ACTIVITIES

| | | | |
|--|-----------|---------|-----------|
| Issuance of common stock, private placement | 4,995,524 | - | 855,000 |
| Common stock rescinded, private placement | (200,000) | - | - |
| Issuance of common stock, exercise of options and warrants | 1,522,704 | 484,700 | 320,234 |
| Issuance of common stock, exercise of purchase right agreement | 45,138 | - | 45,138 |
| 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 | 6,892,961 | 484,700 | 1,232,872 |

NET INCREASE (DECREASE) IN CASH AND CASH
EQUIVALENTS

| | | | |
|--|------------|------------|------------|
| | 161,067 | (293,564) | 707,737 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD | 5,358 | 459,989 | 88,225 |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | \$ 166,425 | \$ 166,425 | \$ 795,962 |

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

STATEMENTS OF CASH FLOW FOR THE SIX MONTHS ENDING

JUNE 30, 2010 AND 2009 AND

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

JUNE 30, 2010

(UNAUDITED)

| | Cumulative Since Inception | For the Six Months Ending June 30, 2010 | For the Six Months Ending June 30, 2009 |
|---|----------------------------------|---|---|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | |
| CASH PAID DURING THE PERIOD FOR: | | | |
| | \$ | \$ | \$ |
| Interest | 22,575 | 188 | 588 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES | | | |
| | \$ | \$ | \$ |
| 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 | - | 45,000 |
| | \$ | \$ | \$ |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | |
|--|---------|----|--------|
| Increase/(Decrease) in fair value of investment securities | - | - | - |
| | \$ | \$ | \$ |
| Accrued interest contributed as capital | 35,624 | - | - |
| | \$ | \$ | \$ |
| Common stock issued in the conversion of notes payable | 529,000 | - | - |
| | \$ | \$ | \$ |
| Acquisition of automobile through loan payable | 24,643 | - | - |
| 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

JUNE 30, 2010 AND 2009

NOTE 1- FINANCIAL STATEMENTS

The accompanying unaudited financial 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 policies 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 the rules and regulations of the Securities and Exchange Commission, 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 and six months ending June 30, 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. Since the Company has no items of other comprehensive income, comprehensive income (loss) is equal to net income (loss).

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.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 1- FINANCIAL STATEMENTS (CONTINUED)

Recently Adopted Accounting Pronouncements (Continued)

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 NO. 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.

Recently Issued Accounting Pronouncements Not Yet Adopted

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2009-13 on ASC 605, Revenue Recognition – Multiple Deliverable Revenue Arrangement – a consensus of the FASB Emerging Issues Task Force (ASU 2009-13). ASU 2009-13 amended guidance related to multiple-element arrangements which requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. The consensus eliminates the use of the residual method of allocation and requires the relative-selling-price method in all circumstances. All entities must adopt the guidance no later than the beginning of their first fiscal year beginning on or after June 15, 2010. Entities may elect to adopt the guidance through either prospective application for revenue arrangements entered into, or materially modified, after the effective date or through retrospective application to all revenue arrangements for all periods presented. (ASU) No. 2009-13 on ASC 605 is currently not applicable to the Company.

In October 2009, the FASB issued ASU No. 2009-14 on ASC 985, Certain Revenue Arrangements That Include Software Elements (ASU 2009-14). ASU 2009-14 amended guidance that is expected to significantly affect how entities account for revenue arrangements that contain both hardware and software elements. As a result, many tangible products that rely on software will be accounted for under the revised multiple-element arrangements revenue recognition guidance, rather than the software revenue recognition guidance. The revised guidance must be adopted by all entities no later than fiscal years beginning on or after June 15, 2010. An entity must select the same transition method and same period for the adoption of both this guidance and the revisions to the multiple-element arrangements guidance noted above. ASU No. 2009-14 on ASC 985 is currently not applicable to the Company.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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 June 30, 2010. Currently, the Company expects to have sufficient funds to maintain its operations through the middle of October 2010. The Company recently commenced a \$1,500,000 private offering of its equity securities; and if fully subscribed, the new capital, along with the exercise of existing outstanding warrants, should supply the Company with the necessary funds to maintain its operations through October 2011. Management believes the Company's business model is attractive enough to investors to raise necessary capital 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. The Company continues to develop and test its next generation Electro-Optic material platform (matrix) to support and cultivate potential customers and strategic partners. Currently, the Company's Electro-Optic material is in evaluation with potential customers. Management believes the Company's first product revenue will be in Application, non-recurring engineering and prototype charges for specialty electro-optical materials and devices using our patent pending application specific electro-optic materials.

NOTE 3 EQUIPMENT

Equipment consists of the following:

June 30, 2010

December 31, 2009

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | \$ | \$ |
|--------------------------------|---------|---------|
| Office equipment | 11,633 | 10,768 |
| Lab equipment | 144,004 | 138,397 |
| Furniture | 3,494 | - |
| Leasehold Improvements | 5,368 | - |
| | 164,499 | 149,165 |
| Less: Accumulated depreciation | 59,701 | 45,078 |
| | \$ | \$ |
| | 104,798 | 104,087 |

Depreciation expense for the six months ending June 30, 2010 and 2009 was \$14,623 and \$6,348. Depreciation expense for the three months ending June 30, 2010 and 2009 was \$7,306 and \$3,321.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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 and six months ended June 30, 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 June 30, 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

JUNE 30, 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

JUNE 30, 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

JUNE 30, 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 expired 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

JUNE 30, 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 2007 and 2008 is \$773,333 and \$154,667. This contract was renewed in March, 2008. The warrant is still outstanding as of June 30, 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

JUNE 30, 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. In April 2010, the warrant was exercised to purchase 100,000 shares of common stock for proceeds of \$25,000.

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, the warrant was partially exercised to purchase 20,000 shares of common stock for proceeds of \$5,000. In April 2010, the warrant was partially exercised to purchase 380,000 shares of common stock for proceeds of \$95,000. The remaining warrant to purchase 500,000 shares of common stock is still outstanding as of June 30, 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. In April 2010, the warrant was exercised to purchase 150,000 shares of common stock for proceeds of \$37,500.

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 June 30, 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 June 30, 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. In June 2010, the warrant was exercised to purchase 25,000 shares of common stock for proceeds of \$12,500.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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 June 30, 2010 and 2009 the company recognized \$49,672 and \$49,672 of expense. For the six month ending June 30, 2010 and 2009, the Company recognized \$98,798 and \$98,798 of expense. The options are still outstanding as of June 30, 2010.

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 June 30, 2010 and 2009 the company recognized \$3,708 and \$3,708 of expense. For the six month ending June 30, 2010 and 2009, the Company recognized \$7,375 and \$6,085 of expense. The options are still outstanding as of June 30, 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. During 2009 and 2008, the warrant was partially exercised to purchase 25,834 and 20,000 shares of common stock for proceeds of \$25,834 and \$20,000. In April 2010, the warrant was partially exercised to purchase 282,500 shares of common stock for proceeds of \$282,500. For the six month ending June 30, 2010, warrants to purchase 16,667 shares of common stock expired. The contract expired in April, 2010.

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.

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 June 30, 2010.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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 June 30, 2010 and 2009 the Company recognized \$18,465 and \$18,465 of expense. For the six month ending June 30, 2010 and 2009, the Company recognized \$36,727 and \$30,504 of expense. The options are still outstanding as of June 30, 2010.

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 June 30, 2010 and 2009 the Company recognized \$160,513 and \$160,514 of expense. For the six month ending June 30, 2010 and 2009, the Company recognized \$319,261 and \$298,694 of expense. The options are still outstanding as of June 30, 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 June 30, 2010 and 2009 the Company recognized \$7,848 and \$7,848 of expense. For the six month ending June 30, 2010 and 2009, the Company recognized \$15,610 and \$45,478 of expense. The options are still outstanding as of June 30, 2010.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

In January 2009, an employee was granted with an option to purchase up to 25,000 shares of common stock at a purchase price of \$.25 per share. 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. The Company recognized expense of \$13,136 for the year ending December 31, 2009. In May 2010, the option was partially exercised to purchase 15,000 shares of common stock for proceeds of \$3,750. As of June 30, 2010, options to purchase 10,000 shares of common stock are still outstanding.

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.

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 at a purchase price of \$.45 per share. Using the Black-Scholes Option Pricing Formula, the options were valued at 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 June 30, 2010 and 2009, the Company recognized \$0 and \$0 of expense. For the six month ending June 30, 2010 and 2009, the Company recognized \$0 and \$9,583 of expense. The options are still outstanding as of June 30, 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.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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 June 30, 2010 and 2009 the Company recognized \$53,365 and \$71,151 of expense. For the six month ending June 30, 2010 and 2009, the Company recognized \$106,730 and \$71,151 of expense. In April 2010, the warrant was partially exercised to purchase 10,000 shares of common stock for proceeds of \$3,450. As of June 30, 2010, warrants to purchase 454,000 shares of common stock are still outstanding.

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 June 30, 2010 and 2009, the Company recognized \$0 and \$21,085 of expense. For the six month ending June 30, 2010 and 2009, the Company recognized \$0 and \$21,085 of expense. The option is still outstanding as of June 30, 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.

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 June 30, 2010 and 2009, the Company recognized \$18,750 and \$0 of investor relation expense. For the six month ending June 30, 2010 and 2009, the Company recognized \$37,500 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 June 30, 2010, the Company recognized \$74,047 of expense. For the six month ending June 30, 2010, the Company recognized \$430,447 of expense. The options are still outstanding as of June 30, 2010.

In June 2010, an employee was granted with an option to purchase up to 100,000 shares of common stock at a purchase price of \$1.50 per share. These options expire in 5 years and vest in equal installments of 12,500 over the next two years commencing August 1, 2010. The Company recognized expense of \$0 for the six month ending June 30, 2010. The option is still outstanding as of June 30, 2010.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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 June 30, 2010 the Company recognized \$68,805 of expense. For the six month ending June 30, 2010, the Company recognized \$74,158 of expense. In June 2010, the option was partially exercised to purchase 100,000 shares of common stock for proceeds of \$25,000. As of June 30, 2010, options to purchase 50,000 shares of common stock are still outstanding.

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 2.55% 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 June 30, 2010, there was \$1,981,129 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

JUNE 30, 2010 AND 2009

NOTE 7 STOCK BASED COMPENSATION (CONTINUED)

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 | |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | |
|--------------------------------|-------------|------------------|----|------|
| | | | \$ | 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 |
| Outstanding, December 31, 2008 | 8,166,202 | \$0.001 - \$1.75 | \$ | 0.79 |
| 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 | (16,667) | \$ 1.00 | \$ | |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | | | |
|----------------------------|-------------|-----------------|----|-----------|
| Forfeited | - | - | \$ | 1.00 - |
| Exercised | (1,062,500) | \$0.25 - \$1.00 | \$ | 0.46 |
| Outstanding, June 30, 2010 | 6,133,200 | \$0.25 - \$1.75 | \$ | 0.95 |
| Exercisable, June 30, 2010 | 4,427,000 | \$0.25 - \$1.75 | | 0.80 |

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 7 STOCK BASED COMPENSATION (CONTINUED)

| Range of Exercise Prices | Non-Qualified Stock Options and Warrants Outstanding | | |
|-----------------------------|--|--|--|
| | Number Outstanding Currently Exercisable at June 30, 2010 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price of Options and Warrants Currently Exercisable |
| | | | \$ |
| \$0.25 - \$1.75 | 4,427,000 | 2.92 Years | 0.80 |

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 June 30, 2010 the Company has accrued officer salaries of \$47,588.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 10 SUBSEQUENT EVENTS

In July 2010 warrants to purchase 50,000 shares of common stock were exercised for proceeds of \$12,500.

Through August 16, 2010, 105,000 shares of common stock were purchased pursuant to a private offering with total proceeds of \$105,000.

Item 2.

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

The following management's discussion and analysis of financial condition and results of operations provides information that management believes is relevant to an assessment and understanding of our plans and financial condition. The following selected financial information is derived from our historical financial statements and should be read in conjunction with such financial statements and notes thereto set forth elsewhere herein and the "Forward-Looking Statements" explanation included herein.

Overview

Lightwave Logic, Inc., formerly, Third-Order Nanotechnologies, Inc., formerly, PSI-TEC Holdings, Inc., formerly Eastern Idaho Internet Service, Inc. was organized under the laws of the State of Nevada in 1997, where we engaged in the business of marketing Internet services until June 30, 1998 when our operations were discontinued. We were then inactive until we acquired PSI-TEC Corporation as our wholly owned subsidiary on July 14, 2004, at which time our name was changed to PSI-TEC Holdings, Inc. On October 20, 2006, we completed a parent-subsiidiary merger with PSI-TEC Corporation whereby we were the surviving corporation of the merger, and our name was changed to Third-Order Nanotechnologies, Inc. On March 10, 2008, we changed our name to Lightwave Logic, Inc. to better suit our strategic business plan and to facilitate stockholder recognition of our Company and its business.

We are a developmental stage company that has developed and continues to develop Application Specific Electro-Optic Polymers (ASEOP) which has high electro-optic activity and are thermally and photo-chemically stable, which we believe could have a broad range of applications in the electro-optic device market. We engineer our proprietary electro-optic plastics at the molecular level for superior performance, stability, cost-efficiency and ease of processability. We expect our electro-optic plastics to broadly replace more expensive, lower-performance materials that are currently used in fiber-optic ground, wireless and satellite communication networks.

In order to transmit digital information at extremely high-speeds (wide bandwidth) over the Internet, it is necessary to convert the electrical signals produced by a computer into optical signals for transmission over long-distance fiber-optic cable. The actual conversion of electricity to an optical signal may be performed by a molecularly-engineered material known as an electro-optic plastic.

We are currently developing electro-optic plastics that promise performance many times faster than any technology currently available and that have unprecedented thermal stability. High-performance electro-optic materials produced

by our Company have demonstrated stability as high as 350 degrees Celsius. Stability above 300 degrees Celsius is necessary for vertical integration into many semi-conductor production lines. Recent results, independently confirmed by the University of Arizona, have demonstrated that the molecular performance of some of our Company's molecular designs perform 650% better than competitive electro-optic compounds.

Our revenue model relies substantially on the assumption that we will be able to successfully develop electro-optic products for applications within the industries described below. When appropriate, we intend to create specific materials for each of these applications and use our proprietary knowledge base to continue to enhance its discoveries.

.

Satellite Reconnaissance

.

Navigational Systems

.

Radar Applications

.

Telecommunications

.

Optical Interconnects

.

Optical Computing

.

Entertainment

.

Medical Applications

To be successful, we must, among other things:

.

Develop and maintain collaborative relationships with strategic partners;

.

Continue to expand our research and development efforts for our products;

.

Develop and continue to improve on our manufacturing processes and maintain stringent quality controls;

.

Produce commercial quantities of our products at commercially acceptable prices;

.

Rapidly respond to technological advancements;

.

Attract, retain and motivate qualified personnel; and

.

Obtain and retain effective intellectual property protection for our products and technology.

We believe that Moore's Law (a principle which states the number of transistors on a silicon chip doubles approximately every eighteen months) will create markets for our high-performance electro-optic material products.

Plan of Operation

Since our inception, we have been engaged primarily in the research and development of our polymer materials technologies and potential products. We are devoting significant resources to engineer next-generation electro-optic plastics for future applications to be utilized by electro-optic device manufacturers, such as telecommunications component and systems manufacturers, networking and switching suppliers, semiconductor companies, aerospace companies and government agencies. We expect to continue to develop products that we intend to introduce to these rapidly changing markets and to seek to identify new markets. We expect to continue to make significant operating and capital expenditures for research and development activities.

As we move from a development stage company to a product vendor, we expect that our financial condition and results of operations will undergo substantial change. In particular, we expect to record both revenue and expense from product sales, to incur increased costs for sales and marketing and to increase general and administrative expense. Accordingly, the financial condition and results of operations reflected in our historical financial statements are not expected to be indicative of our future financial condition and results of operations.

On August 8, 2006, we contracted with Triple Play Communications Corporation, a design and market consulting company, to deliver a comprehensive market opportunity assessment report for high speed 40G (commercial) & 100G+ (military/aerospace) modulators and system applications.

In August, 2006 we entered into a co-location agreement with InPlane Photonics, a New Jersey-based micro-optics company that allowed our scientists to establish a pre-production line in order to test and integrate our organic materials into waveguide devices and system prototypes as a first step toward product commercialization. This agreement was terminated at the end of January 2007 so that we could focus on pursuing a strategic relationship with Photon-X LLC, a Pennsylvania-based firm with extensive experience in polymer waveguide processing. We entered into a non-binding memorandum of understanding with Photon-X, LLC in December 2006 to work towards creating a fee for services agreement with Photon-X, LLC to design, develop, produce and market electro-optic components based upon our polymer technology, which we ultimately finalized in March 2007. This agreement with Photon-X, LLC enables our Company access to a full suite of fabrication facilities capable of producing commercial quantities of precision micro-optic devices such as high-speed (40GHz) telecom modulators, optical filters, and optical interconnects important to military and civilian global information movement and management markets.

On September 25, 2006 we obtained independent laboratory results that confirmed the thermal stability of our Perkinamine electro-optic materials. Thermal stability as high as 350 degrees Celsius was confirmed, significantly exceeding many other commercially available high performance electro-optic materials, such as CLD-1 which exhibits thermal degradation in the range of 250 degrees Celsius to 275 degrees Celsius. This high temperature stability of our materials eliminates a major obstacle to vertical integration of electro-optic polymers into standard microelectronic manufacturing processes (e.g. wave/vapor-phase soldering) where thermal stability of at least 300 degrees Celsius is required. In independent laboratory tests, ten-percent material degradation, a common evaluation of overall thermal stability, did not occur until our Perkinamine material base was exposed to temperatures as high as 350 degrees Celsius, as determined by Thermo-Gravimetric Analysis (TGA). The test results supported our Company's progress to introduce our materials into commercial applications such as optical interconnections, high-speed telecom and datacom modulators, and military/aerospace components.

In July 2007, our Company developed an innovative process to integrate our unique architecture into our anticipated commercial devices, whereby dendritic spacer

systems are attached to its core chromophore. In the event we are successful in developing a commercially viable product, we believe these dendrimers will reduce the cost of manufacturing materials and reduce the cost and complexity of tailoring the material to specific customer requirements.

In January 2008, we retained TangibleFuture, Inc., a San Francisco based technology analysis and business development consulting company, to generate an independent assessment of our business opportunities in the fiber-optic telecommunications and optical computing sectors and develop strategies to penetrate those potential markets.

In March 2008, we commenced production of our first prototype photonic chip, which we delivered to Photon-X, LLC to fabricate a prototype polymer optical modulator and measure its technical properties. As a result of delays caused by engineering setbacks related to our material production, the production of our first prototype photonic chip was temporarily halted, along with the completion of our proof of concept tests that were being administered by Dr. Robert Norwood at the University of Arizona Photonics Department. In order to address this issue, Dr. David Eaton's role and responsibilities with the Company were significantly expanded, and we added two veteran synthetic chemists to our science and technology team. We have since overcome a majority of these engineering setbacks and we are currently in the continual process of extensive testing for material performance, including, among other tests, the (r33) Teng-Man testing protocol. In June 2009 we released test results conducted by Dr. C.C. Teng that re-confirmed our previous test results, and we intend to deliver completed independent validated material performance test results, including the (r33) Teng-Man testing protocol, as they become ripe for release. In July 2010 Photon-X retested the June 2009 test coupons with the same results as Dr. C.C. Teng found twelve months earlier confirming the material's stability.

In August 2009, Photon-X, LLC commenced a compatible study, process sequences, and fabricated wafers/chips containing arrays of phase modulators. The first one hundred plus modulators were completed at the end of October 2009, and were successfully characterized for insertion loss, V_{pi}, modulation dynamic range and initial frequency response in March 2010. The multi-step manufacturing process we utilized to fabricate our modulators involved exposing our proprietary Perkinamine material to extreme conditions that are typically found in standard commercial manufacturing settings. Our step-by-step analysis throughout the fabrication process demonstrated to us that our Perkinamine material can successfully withstand each step of the fabrication process without damage. We had planned on completing the development and building of functional 40Gb/s and 100Gb/s modulators during the second quarter of 2010. However, with current application driven projects and evaluations we will incur delays in this development. The completion of these two modulator designs will most likely be pushed out to the end of the fourth quarter or in the first quarter of 2011 in order for us to focus on applications that will most likely generate revenue quicker for the Company.

In August 2009, we retained Perdix, Inc. to help us identify and build prototype products for high growth potential target markets in fiber optic telecommunications systems. During October 2009, we initiated the development and production of our prototype amplitude modulator, which can ultimately be assembled into 1- and 2- dimensional arrays that are useful for optical computing applications, such as encryption and pattern recognition. We continue to work with our strategic partner on this device.

In November 2009 we introduced our new prototype phase modulator to the Gilder/Forbes Telecom Conference in Tarrytown, New York and discussed how Lightwave's material could be spun onto silicon chips prior to stacking and used for input, output, and interconnect due to the stability of Lightwave's electro-optic polymer and Lightwave's recent demonstration that its proprietary Perkinamine material can survive all of the rigors of standard commercial manufacturing processes. Other applications discussed with the conference attendees included low cost modulators for fiber optic communications, multi-channel modulators for ultra dense wavelength division multiplex systems, and optical computing.

In December 2009 we filed our sixth patent application. The provisional application covers stable free radical chromophores for use in Non-Linear optical applications. The new polymeric electro-optic material has enormous potential in spatial light modulation and all optical signal processing (light switching light).

In January 2010 we entered into an agreement with the University of Alabama at Tuscaloosa to conduct cooperative development, analytical testing, optimization, and scale-up of our proprietary materials platform, which should help shorten the time to market for our new Polymeric Electro-Optic materials. In May 2010 we commenced working in conjunction with our university partners on programs that may lead to the development of new commercially viable molecules.

In March 2010 we successfully concluded the electrical and optical performance testing stage of our prototype phase modulator and began Application Engineering of our technology in customer design environments and working directly with interested large system suppliers to attempt to engineer specific individual product materials and device designs for sale to or by these suppliers. In July 2010, a large system supplier commenced testing and evaluation of our electro-optic polymers.

In April 2010 we re-established a relationship with DARPA, the Defense Advance Research Project Agency, by sharing the technical data and test results on our proprietary materials platform. We believe our technology provides solutions to some of their current and future challenging projects.

In June 2010, we entered into a technology application development subcontract agreement with Celestech, Inc., a technology development and engineering firm whereby we are providing development-engineering support to Celestech in exchange for a cash fee based upon a direct hourly rate. Initially the support is focusing on the concept,

analysis, modeling and optical and system engineering steps to integrate our proprietary materials platform into an optical computing application.

We ultimately intend to use our next-generation electro-optic plastics for future applications vital to the following industries. We expect to create specific materials for each of these applications as appropriate:

.

Satellite Reconnaissance

.

Navigational Systems

.

Radar Applications

.

Telecommunications

.

Optical Interconnects

.

Optical Computing

.

Entertainment

.

Medical Applications

In an effort to maximize our future revenue stream from our electro-optic polymer products, we are currently evaluating each of or some combination of the following approaches:

·
Licensing our technology for individual specific applications;

·
Entering into collaborative or joint venture agreements with one or a number of partners; or

·
Selling our products directly to commercial customers.

Additionally, we must create an infrastructure, including operational and financial systems, and related internal controls, and recruit qualified personnel. Failure to do so could adversely affect our ability to support our operations.

We have incurred substantial net losses since inception. We have satisfied our capital requirements since inception primarily through the issuance and sale of our common stock. During 2004 we raised approximately \$529,000 from the issuance of convertible promissory notes, of which \$30,000 was converted into common stock of the company during 2004 and the remaining \$499,000 converted in 2005. Also, during 2005, we raised an aggregate of \$1,000,000 from the private sale of our common stock. During 2006, we raised approximately \$425,000 from the private sale of our common stock, of which \$200,000 was rescinded during 2007.

During 2007, we raised approximately \$2,301,524 from the private sale of our common stock. During 2008, we raised approximately \$414,000 from the private sale of our common stock and \$375,270 upon the exercise of existing warrant holder s warrants. Through June 30, 2009, we raised approximately \$855,000 from the sale of our private stock. We have also issued shares of our common stock and warrants to purchase shares of our common stock in exchange for services rendered to our company, including

professional services. During October 2009 we obtained proceeds of \$455,000 from the exercise of existing warrant holder's warrants. From April through mid August 2010 we obtained proceeds of \$602,200 from the exercise of existing warrant holder's warrants and the private sale of our common stock.

Award

On September 26, 2006, we were awarded the 2006 Electro-Optic Materials Technology Innovation of the Year Award by Frost & Sullivan. Frost & Sullivan's Technology Innovation of the Year Award is bestowed upon candidates whose original research has resulted in innovations that have, or are expected to bring, significant contributions to multiple industries in terms of adoption, change, and competitive posture. This award recognizes the quality and depth of our Company's research and development program as well as the vision and risk-taking that enabled us to undertake such an endeavor.

Results of Operations

Comparison of three months ended June 30, 2010 to three months ended June 30, 2009

Revenues

The Company is a development stage company that commenced its first research revenue project resulting in net revenues of \$3,200 for the three months ended June 30, 2010. There were no revenues during 2009.

Operating Expenses

Our operating expenses were \$883,469 and \$677,621 for the three months ended June 30, 2010 and 2009, respectively, for an increase of \$205,848. This increase in operating expenses was due primarily to amortization of warrants as part of the employment agreement entered into with the Company's new non-executive chair of the board of directors, an increase in investor relations expenses and an increase in laboratory electro-optic device prototype, development and testing expenses.

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

Included in our operating expenses for the three months ended June 30, 2010 was \$319,715 for research and development expenses compared to \$272,920 for the three months ended June 30, 2009, for an increase of \$46,795. This is primarily due to an increase in laboratory electro-optic device prototype, development and testing expenses of \$57,225, from \$29,095 for the three months ended June 30, 2009 to \$86,320 for the three months ended June 30, 2010, offset by a reduction in stock compensation and stock option amortization of \$21,085 from \$133,085 for the three months ended June 30, 2009 to \$112,000 for the three months ended June 30, 2010.

Research and development expenses currently consist primarily of compensation for employees engaged in internal research and product development activities; laboratory operations, outsourced prototype electro-optic device development and processing work; material testing; fees; costs; and related operating expenses.

We expect to continue to incur substantial research and development expense to develop and commercialize our electro-optic material platform. These expenses will increase as a result of continued development to support commercialization of our electro-optic materials technology; subcontracting work to build prototypes; expanding and equipping in-house laboratories; hiring additional technical and support personnel; pursuing other potential business opportunities; and incurring related operating expenses.

General and administrative expense consists primarily of compensation and support costs for management staff, and for other general and administrative costs, including executive, sales and marketing, investor relations, accounting and finance, legal, consulting and other operating expenses.

General and administrative expenses increased \$159,053 to \$563,754 for the three months ended June 30, 2010 compared to \$404,701 for the three months ended June 30, 2009. The increase is due primarily to amortization of warrants as part of the employment agreement entered into with the Company's new non-executive chair of the board of directors and an increase in investor relations expenditures.

Accounting fees decreased \$38,500 to \$10,500 for the three months ended June 30, 2010 compared to \$49,000 for the three months ended June 30, 2009 since the operations for the three months ended June 30, 2009 included fees associated with startup which commenced on March 1, 2009, preparation of the 2008 Form 10-K, resolution of prior payroll tax filing issues primarily associated with the October 2006 reorganization and other accounting issues.

Amortization of warrants for accounting and administrative services decreased \$17,788 from \$71,153 for the three months ended June 30, 2009 to \$53,365 for the three months ended June 30, 2010 since for the three month period ending June 30, 2009, the inception to date amortization was reflected in the results of operations for that quarter.

Stock compensation increased by \$125,065 to \$196,218 for the three months ended June 30, 2010 compared to \$71,153 for the three months ended June 30, 2009. The stock compensation for the three month period ended June and June 30, 2009 included the aforementioned amortization of warrants for accounting and administrative expenses. This total increase in stock compensation is primarily due to the amortization of warrants of \$74,047 as part of the employment agreement entered into with the Company's new non-executive chair of the board of directors during 2010. The stock compensation for the three month period ended June 30, 2010 also included \$68,806 in amortization of warrants for a financial investor advisory board member.

Investor relations expenses increased by \$60,588 from \$1,662 for the three months ended June 30, 2009 to \$62,250 for the three months ended June 30, 2010 to expand the Company's exposure to a broader base of investors.

Included in the results of operations for the three months ended June 30, 2010 are expenses totaling \$16,430 for the Company's annual stockholder meeting.

Travel expenses increased by \$6,668 to \$11,947 for the three months ended June 30, 2010 from \$5,279 for the three months ended June 30, 2009 primarily for the additional travel to investor conferences.

Legal fees decreased \$16,257 to \$29,250 for the three months ended June 30, 2010 compared to \$45,507 for the three months ended June 30, 2009.

We expect general and administrative expense to increase in future periods as we increase the level of corporate and administrative activity, including increases associated with our operation as a public company; and significantly increase expenditures related to the future production and sales of our products.

Net Loss

Net loss was \$880,425 and \$678,203 for the three months ended June 30, 2010 and 2009, respectively, for an increase of \$202,222, primarily resulting from increase in operating expenses which was due primarily to amortization of warrants as part of the employment agreement entered into with the Company's new non-executive chair of the board of directors, an increase in investor relations expenses and an increase in laboratory electro-optic device prototype, development and testing expenses.

Comparison of six months ended June 30, 2010 to six months ended June 30, 2009

Revenues

The Company is a development stage company that commenced its first research revenue project resulting in net revenues of \$3,200 for the six months ended June 30, 2010. There were no revenues during 2009.

Operating Expenses

Our operating expenses were \$1,894,174 and \$1,434,605 for the six months ended June 30, 2010 and 2009, respectively, for an increase of \$459,569. This increase in operating expenses was due primarily to amortization of warrants of as part of the employment agreement entered into with the Company's new non-executive chair of the board of directors, increases in laboratory electro-optic device prototype, development and testing expenses and investor relations expenses offset by a decrease in management fees and decreases in research and development stock compensation and awards.

Included in our operating expenses for the six months ended June 30, 2010 was \$599,208 for research and development expenses compared to \$722,636 for the six months ended June 30, 2009, for a decrease of \$123,428. This is primarily due to a reduction in stock compensation and stock option amortization of \$235,650 from \$458,417 for the six months ended June 30, 2009 to \$222,767 for the six months ended June 30, 2010 offset by an increase in laboratory electro-optic device prototype, development and testing expenses of \$100,960, from \$31,370 for the six months ended June 30, 2009 to \$132,330 for the six months ended June 30, 2010.

Research and development expenses currently consist primarily of compensation for employees engaged in internal research and product development activities; laboratory operations, outsourced prototype electro-optic device development and processing work; material testing; fees; costs; and related operating expenses.

We expect to continue to incur substantial research and development expense to develop and commercialize our electro-optic material platform. These expenses will increase as a result of continued development to support commercialization of our electro-optic materials technology; subcontracting work to build prototypes; expanding and equipping in-house laboratories; hiring additional technical and support personnel; pursuing other potential business opportunities; and incurring related operating expenses.

General and administrative expense consists primarily of compensation and support costs for management staff, and for other general and administrative costs, including executive, sales and marketing, investor relations, accounting and finance, legal, consulting and other operating expenses.

General and administrative expenses increased \$582,997 to \$1,294,966 for the six months ended June 30, 2010 compared to \$711,969 for the six months ended June 30, 2009. The increase is due primarily to amortization of warrants as part of the employment agreement entered into with the Company's new non-executive chair of the board of directors and an increase in investor relations expenditures offset by a decrease in management fees.

Management fees decreased \$55,330 to \$0 for the six months ended June 30, 2010 compared to \$55,330 for the six months ended June 30, 2009 since the Company decided not to renew its management contract on February 28, 2009.

Accounting fees decreased \$37,000 to \$21,000 for the six months ended June 30, 2010 compared to \$58,000 for the six months ended June 30, 2009 since the operations for the six months ended June 30, 2009 included fees associated with startup, preparation of the 2008 Form 10-K, resolution of prior payroll tax filing issues primarily associated with the October 2006 reorganization and other accounting issues. Amortization of warrants for accounting and administrative services increased \$35,577 from \$71,153 for the six months ended June 30, 2009 to \$106,730 for the six months ended June 30, 2010 since the agreement for accounting services commenced during the first quarter of

2009.

Stock compensation increased by \$540,182 to \$611,335 for the six months ended June 30, 2010 compared to \$71,153 for the six months ended June 30, 2009. The stock compensation for the six month period ended June 30, 2009 included the aforementioned amortization of warrants for accounting and administrative expenses. This total increase in stock compensation is primarily due to the amortization of warrants of \$430,447 as part of the employment agreement entered into with the Company's new non-executive chair of the board of directors during 2010. The stock compensation for the six month period ended June 30, 2010 also included \$74,158 in amortization of warrants for a financial investor advisory board member.

Travel expenses increased by \$14,285 to \$27,028 for the six months ended June 30, 2010 from \$12,743 for the six months ended June 30, 2009 primarily for the additional travel to investor conferences.

Investor relations expenses increased by \$96,026 from \$1,662 for the six months ended June 30, 2009 to \$97,688 for the six months ended June 30, 2010 to expand the Company's exposure to a broader base of investors.

Included in the results of operations for the six months ended June 30, 2010 are expenses totaling \$16,430 for the Company's annual stockholder meeting.

Legal fees decreased \$17,982 to \$45,376 for the six months ended June 30, 2010 compared to \$63,358 for the six months ended June 30, 2009.

We expect general and administrative expense to increase in future periods as we increase the level of corporate and administrative activity, including increases associated with our operation as a public company; and significantly increase expenditures related to the future production and sales of our products.

Net Loss

Net loss was \$1,891,077 and \$1,435,600 for the six months ended June 30, 2010 and 2009, respectively, for an increase of \$455,477, due primarily to amortization of warrants of as part of the employment agreement entered into with the Company's new non-executive chair of the board of directors, increases in laboratory electro-optic device prototype, development and testing expenses and investor relations expenses offset by a decrease in management fees and decreases in research and development stock compensation and awards.

Significant Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent

assets and liabilities. On an ongoing basis, we evaluate our estimates based upon historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from these estimates.

We believe our critical accounting policies affect our more significant estimates and judgments used in the preparation of our financial statements. Our Annual Report on Form 10-K for the year ended December 31, 2009 contains a discussion of these critical accounting policies. There have been no significant changes in our critical accounting policies since December 31, 2009. See our Note 1 in our unaudited financial statements for the six months ended June 30, 2010, as set forth herein.

Liquidity and Capital Resources

During the six months ended June 30, 2010, net cash used in operating activities was \$736,217 and net cash used in investing activities was \$42,047, which was due primarily to the Company's research and development activities and general and administrative expenditures. Net cash provided by financing activities for the six months ended June 30, 2010 was \$484,700. At June 30, 2010, our cash and cash equivalents totaled \$166,425, our assets totaled \$565,029, our liabilities totaled \$135,313, and we had stockholders' equity of \$429,716.

Sources and Uses of Cash

Our future expenditures and capital requirements will depend on numerous factors, including: the progress of our research and development efforts; the rate at which we can, directly or through arrangements with original equipment manufacturers, introduce and sell products incorporating our plastic materials technology; the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights; market acceptance of our products and competing technological developments; and our ability to establish cooperative development, joint venture and licensing arrangements. We expect that we will incur in excess of \$1,200,000 of expenditures over the next 12 months. Our cash requirements are expected to increase at a rate consistent with the Company's path to revenue growth as we expand our activities and operations with the objective of commercializing our electro-optic plastic technology during the latter portion of 2010.

Our business does not presently generate the cash needed to finance our current and anticipated operations. We believe we have sufficient capital to finance our operations through the middle of October 2010 however, we need to obtain additional financing to finance our operations until such time that we can conduct profitable revenue-generating activities. Management is working to obtain financing to continue to fund our operations. Such future sources of

financing may include cash from equity offerings, exercise of stock options, warrants and proceeds from debt instruments; but we cannot assure you that such equity or borrowings will be available or, if available, will be

at rates or prices acceptable to us. If adequate funds are not available to satisfy either short-term or long-term capital requirements, or if planned revenues are not generated, we may be required to substantially limit our operations. This limitation of operations may include reductions in capital expenditures and reductions in staff and discretionary costs.

We expect that our cash used in operations will increase during the remainder of 2010 and beyond as a result of the following planned activities:

.

The addition of management, sales, marketing, technical and other staff to our workforce;

.

Increased spending for the expansion of our research and development efforts, including purchases of additional laboratory and production equipment;

.

Increased spending in marketing as our products are introduced into the marketplace;

.

Developing and maintaining collaborative relationships with strategic partners;

.

Developing and improving our manufacturing processes and quality controls; and

.

Increases in our general and administrative activities related to our operations as a reporting public company and related corporate compliance requirements.

Analysis of Cash Flows

For the six months ended June 30, 2010

Net cash used in operating activities was \$736,217 for the six months ended June 30, 2010, consisting of payments for research and development, legal, professional and consulting expenses, rent and other expenditures necessary to develop our business infrastructure, offset by \$1,089,105 in options and warrants issued for services, \$37,500 in amortization of prepaid expenses, \$14,622 in depreciation expenses, \$10,596 in prepaid expenses and \$3,637 in accounts payable and accrued expenses.

Net cash used by investing activities was \$42,047 for the six months ended June 30, 2010, consisting of \$26,714 in cost for intangibles and \$15,333 in asset additions for the lab.

Net cash provided by financing activities was \$484,700 for the six months ended June 30, 2010 and consisted of \$484,700 from the exercise of warrants.

Inflation and Seasonality

We do not believe that our operations are significantly impacted by inflation. Our business is not seasonal in nature.

Item 4

Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2010. Based on this evaluation, the Company's Principal Executive Officer and Principal Financial Officer concluded that, as of June 30, 2010 the Company's disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 2

Unregistered Sales of Equity Securities and Use of Proceeds

During the period covered by this report, six persons exercised warrants/options to purchase the number of shares of common stock at the exercise price as set forth below:

| Type of security | No. of shares exercised | Exercise price (\$) |
|------------------|----------------------------|---------------------|
| Warrant | 730,000 | .25 |

Edgar Filing: Lightwave Logic, Inc. - Form 10-Q

| | | |
|---------|---------|------|
| Warrant | 10,000 | .345 |
| Warrant | 25,000 | .50 |
| Warrant | 282,500 | 1.00 |
| Option | 15,000 | .25 |

We relied on Section 4(2) of the Securities Act since the transaction did not involve any public offering. No underwriters were utilized and no commissions or fees were paid with respect to the transaction.

-40-

Item 6

Exhibits

The following exhibits are included herein:

Exhibit No.

Description of Exhibit

31.1

Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, executed by the Principal Executive Officer of the Company.

31.2

Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, executed by the Principal Financial Officer of the Company.

32.1

Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Principal Executive Officer of the Company.

32.2

Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Principal Financial Officer of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LIGHTWAVE LOGIC, INC.

Registrant

By: /s/ James S. Marcelli

James S. Marcelli,

Chief Executive Officer

Date: August 16, 2010

By: /s/ James S. Marcelli

James S. Marcelli,

Chief Executive Officer

Date: August 16, 2010

By: /s/ Andrew J. Ashton

Andrew J. Ashton,

Treasurer

Date: August 16, 2010

