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CYBERLUX CORP
Form 10QSB
August 19, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2003

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

For the Period Ended June 30, 2003

Commission file number 000-33415

CYBERLUX CORPORATION
(Name of Small Business Issuer in Its Charter)

Nevada 91-2048178
(State of Incorporation) (IRS Employer Identification No.)

50 Orange Road
PO Box 2010
Pinehurst, NC 28370
(Address of Principal Executive Offices)

(910) 235-0066
Issuer's Telephone Number

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

As of June 30, 2003 the Company had 7,587,849 shares of its par value \$0.001 common tock issued and outstanding.

Transitional Small Business Disclosure Format (check one):

Yes No

=====

CYBERLUX CORPORATION

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Item 1. Financial Statements

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FINANCIAL STATEMENTS

JUNE 30, 2003

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

CYBERLUX CORPORATION

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CYBERLUX CORPORATION

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CYBERLUX CORPORATION (A Development Stage Company) CONDENSED BALANCE SHEETS

	June 30, 2003 (Unaudited) -----	December 31, 2002 (Audited) -----
ASSETS		
Current Assets:		
Cash and equivalents	\$ 1,875	\$ 26,086
Prepaid design services	--	20,000
Total current assets	\$ 1,875 =====	\$ 46,086 =====
Property and Equipment-net of accumulated depreciation of \$ 33,300 and \$ 23,051 respectively	69,194	79,443
Other assets		
Prepaid expenses	--	--
Deposits	8,614	8,614
	8,614 -----	8,614 -----
Total Assets	\$ 79,683 =====	\$ 134,143 =====
LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short term notes payable	\$ 325,000	\$ 365,000
Short term notes payable-shareholders	183,045	123,545
Management fees payable-related party	819,508	546,508

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Accrued interest	50,277	44,427
Other accrued liabilities	241,430	95,971
	-----	-----
Total current liabilities	1,619,260	1,175,451
	-----	-----
Commitments and contingencies	--	--
DEFICIENCY IN STOCKHOLDERS' EQUITY		
(NOTE C)		
Preferred Stock, \$.001 par value per share; 5,000,000 shares authorized, none issued and outstanding	--	--
Common Stock, \$.001 par value per share, 20,000,000 shares authorized, 7,587,849 and 6,628,396 shares issued and outstanding at June 30, 2003 and December 31, 2002 respectively	7,588	6,628
Additional paid in capital	1,078,913	745,593
Subscription receivable	--	(2,500)
	-----	-----
Deficit accumulated during development stage	(2,626,078)	(1,791,029)
	-----	-----
Deficiency in stockholder's equity	(1,539,577)	(1,041,308)
	-----	-----
Total	\$ 79,683	\$ 134,143
	=====	=====

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(See accompanying notes to financial statements)

CYBERLUX CORPORATION
(A Development Stage Company)
CONDENSED STATEMENT OF LOSSES
(UNAUDITED)

	For three months ended June 30, 2003	For three months ended June 30, 2002	For the six months June 30, 2003	For the six months June 30, 2002
	-----	-----	-----	-----
Revenues:	\$ --	\$ --	\$ --	\$ --
Costs and expenses:				
General and administrative	356,937	119,895	560,866	217,250
Depreciation and Amortization	230,124	23,844	235,249	46,625
	-----	-----	-----	-----
Total costs and expenses	587,061	143,739	796,115	263,875
Other income and (expenses):				
Interest Income	--	--	--	--
Interest Expenses	(18,017)	(15,397)	(38,934)	(26,625)
	-----	-----	-----	-----
Loss from operations	(605,078)	(159,136)	(835,049)	(290,500)

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Income (taxes) benefit	--	--	--	--
Net loss	\$ (605,078)	\$ (159,136)	\$ (835,049)	\$ (290,500)
Loss per common share (basic and assuming dilution)	\$ (0.09)	\$ (0.03)	\$ (0.12)	\$ (0.05)
Weighted average shares outstanding	6,946,684	6,187,396	6,946,684	6,169,890

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(See accompanying notes to financial statements)

CYBERLUX CORPORATION
(A Development Stage Company)

CONDENSED STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY
FOR THE PERIOD MAY 17, 2000
(DATE OF INCEPTION) THROUGH JUNE 30, 2003

(Unaudited)

	Common Stock Shares	Amount	Addi Paid in
Common shares issued in May, 2000 to founders in exchange for cash at \$. 001 per share	1,640,000	\$ 1,640	\$
Common shares issued in May, 2000 in exchange for research and development services valued at \$.09 per share	750,000	\$ 750	\$
Common shares issued in May, 2000 in exchange for services valued @ \$. 05 per share	875,000	875	
Common shares issued in July, 2000 in exchange for convertible debt at \$.15 per share	288,000	288	
Capital contributed by principal shareholders	--	--	
Common shares issued in November , 2000 for cash in connection with private placement at \$. 15 per share	640,171	640	
Common shares issued in November, 2000 in exchange for services valued @ \$. 15 per share	122,795	123	
Net (loss)	--	--	
Balance, December 31, 2000	4,315,966	\$ 4,316	\$ 2
Common shares issued in January , 2001 in exchange for convertible debt at \$.15 per share	698,782	699	1
Stock options issued in May, 2001, valued at \$. 15 per option, in exchange for services			
Warrant issued in May 2001, valued at \$. 15 per warrant, in exchange for placement of debt	--	--	
Common shares issued in September , 2001 for cash in connection with exercise of warrant at \$.15 per share	3,000	3	

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Common shares issued in September , 2001 for cash in connection with excercise of warrant at \$.10 per share	133,000		133	
Common shares issued in November , 2001 for cash in connection with excercise of warrant at \$.0001 per share	500,000		500	
Common shares issued in November , 2001 for cash in connection with excercise of options at \$.0001 per share	350,000		350	
Common shares issued in December , 2001 in exchange for convertible debt at \$.50 per share	133,961		134	
Common shares issued in December , 2001 in exchange for debt at \$.50 per share	17,687		18	
Net (loss)	--		--	(6
	-----		-----	-----
Balance, December 31, 2001	6,152,396	\$	6,152	\$ 5
Common shares issued in May, 2002 in exchange for services valued at \$. 70 per share	70,000		70	
Common shares issued in Nov, 2002 in exchange for services valued at \$0.25 per share	150,000		150	
Common shares issued in Dec. 2002 as rights offering at \$0.25 per share	256,000		256	
Subscription Receivable for 10,000 shares issued				
Net loss	--		--	
	-----		-----	-----
Balance at December 31, 2002	6,628,396	\$	6,628	\$ 7
Common shares issued in March, 2003 for cash in connection with exercise of options at \$0.001 per share	250,000		250	
Funds received for stock subscription				
Common Shares issued to Cornell Capital Partners in March, 2003 in connection with Loan Commitment valued at \$0.75 per share	300,000		300	2
Common shares issues in March, 2003 in exchange for services valued at \$0.75 per share	13,333		14	
Net Loss	--		--	
	-----		-----	-----
Balance, March 31, 2003	7,191,729	\$	7,192	\$ 9
Robrady Design Note was converted into 196,120 Shares @ .25 Per share	196,120		196	
Common Shares issued to Mark Schmidt for services in June, 2003. The 200,000 shares were issued at \$0.25 per share	200,000		200	
Net Loss	--		--	
	-----		-----	-----
Balance, June 30, 2003	7,587,,849		7,588	\$ 1,0

	Deficiency Accumulated During Development Stage	Total in Stockholders Equity
	-----	-----
Common shares issued in May, 2000 to founders in exchange for cash at \$. 001 per share		\$ 2,200
Common shares issued in May, 2000 in exchange for for research and development services valued at \$.09 per share		\$ 68,753
Common shares issued in May, 2000 in exchange for services valued @ \$. 05 per share		36,585
Common shares issued in July, 2000 in exchange for convertible debt at \$.15 per share		40,000

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Capital contributed by principal shareholders		16,000
Common shares issued in November , 2000 for cash in connection with private placement at \$. 15 per share		96,026
Common shares issued in November, 20000 in exchange for services valued @ \$. 15 per share hares issued for consulting services		18,419
Net (loss)	(454,651)	(454,651)
	-----	-----
Balance, December 31, 2000	\$ (454,651.00)	\$ (176,668.00)
Common shares issued in January , 2001 in exchange for convertible debt at \$.15 per share	--	104,817
Stock options issued in May, 2001, valued at \$. 15 per option, in exchange for services	--	52,500
Warrant issued in May 2001, valued at \$. 15 per warrant, in exchange for placement of debt	--	75,000
Common shares issued in September , 2001 for cash in connection with excercise of warrant at \$.15 per share	--	450
Common shares issued in September , 2001 for cash in connection with excercise of warrant at \$.10 per share	--	13,300
Common shares issued in November , 2001 for cash in connection with excercise of warrant at \$.0001 per share	--	500
Common shares issued in November , 2001 for cash in connection with excercise of options at \$.0001 per share	--	350
Common shares issued in December , 2001 in exchange for convertible debt at \$.50 per share	--	66,981
Common shares issued in December , 2001 in exchange for debt at \$.50 per share	--	8,843
Net (loss)	(636,274)	(636,274)
	-----	-----
Balance, December 31, 2001	\$ (1,090,925)	\$ (490,202)
Common shares issued in May, 2002 in exchange for services valued at \$. 70 per share	--	49,000
Common shares issued in Nov, 2002 in exchange for services valued at \$0.25 per share		37,500
Common shares issued in Dec. 2002 as rights offering at \$0.25 per share		64,000
Subscription Receivable for 10,000 shares issued		(2,500)
	(700,104)	(700,104)
Net loss		
	-----	-----
Balance at December 31, 2002	\$ (1,791,029)	\$ (1,041,308)
Common shares issued in March, 2003 for cash in connection with exercise of options at \$0.001 per share		250
Funds received for stock subscription		2,500
Common Shares issued to Cornell Capital Partners in March, 2003 in connection with Loan Commitment valued at \$0.75 per share		225,000
Common shares issues in March, 2003 in exchange for services valued at \$0.75 per share		10,001
Net Loss	(229,971)	(229,971)
	-----	-----
Balance, March 31, 2003	\$ (2,021,000)	\$ (1,033,528)
Robrady Design Note was converted into 196,120 Shares @ ..25 Per share		49,029
Common Shares issued to Mark Schmidt for services in June, 2003. The 200,000 shares were issued at \$0.25 per share		50,000
Net Loss	(605,078)	(605,078)
	-----	-----
Balance, June 30, 2003	\$ (2,626,078)	\$ (1,539,577)

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(See accompanying notes to financial statements)

CYBERLUX CORPORATION
(A Development Stage Company)
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For Six Months ended June 30, 2003 -----	For the Six months ended June 30, 2002 -----	For the 17, 2000 inception 30, -----
Cash flows from operating activities			
Net Loss	\$ (835,049)	\$ (290,501)	\$ (2,623,333)
Depreciation and amortization	235,249	46,624	33,333
Stock issued for accrued interest on notes payable	9,030	--	--
Write off extension of loan expenses	--	--	2,000
Stock options issued for consulting services	--	--	10,000
Shares issued for consulting services	60,000	49,000	14,000
Shares issued for research and development	--	--	6,000
Changes in assets and liabilities			
Increase in deposits	--	(1,795)	(1,795)
Decrease in other current assets	20,000	7,412	4,000
Increase in accrued interest	5,852	10,008	5,000
Increase in management fee payable-related party	273,000	117,002	81,000
Increase in other accrued liabilities	145,457	--	24,000
Net cash used in operating activities	(86,461)	(62,251)	(78,000)
Cash flows used in investing activities			
Purchase of Property and Equipments	--	(59,935)	(10,000)
Net cash used in investing activities	--	(59,935)	(10,000)
Cash Provided Financing Activities			
Proceeds from short term notes payable net	--	75,000	8,000
Proceeds from note payable-net	--	--	43,000
Proceeds from short term notes payable-shareholders	59,500	17,300	18,000
Capital contributed by shareholders	--	--	1,000
Receipts from subscription receivable	2,500	--	--
Issuance of common stock	250	--	17,000
Net cash provided financing activities	62,250	92,300	88,000
Increase (decrease) in cash and cash equivalents	(24,211)	(29,886)	--
Cash and cash equivalents, beginning of year / period	26,086	30,602	--

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Cash and cash equivalents, end of the year / period	\$	1,875	\$	716	\$
Supplemental Information:					
Cash paid during the period for interest	\$	18,202	\$	15,397	\$ 3
Cash paid during the period for taxes		--		--	

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(See accompanying notes to financial statements)

CYBERLUX CORPORATION
(A Development Stage Company)
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For six months ended June 30, 2003	For the six months ended June 30, 2002	For the 17, 200 incepti 30,
	-----	-----	-----
Non cash disclosures :			
Shares issued for research and development and consulting	--	--	106,
Shares issued for conversion of debt	9,030	49,030	269,
Warrants issued in connection with financing	--	--	75,
Options issued in connection with services	--	--	52,
Shares issued in connection with loan commitment	--	--	300,
Shares issued in connection with services	60,000	50,000	118,

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(See accompanying notes to financial statements)

CYBERLUX CORPORATION
(A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

NOTE A-SUMMARY OF ACCOUNTING POLICIES

General

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the six months period ended June

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30, 2003, are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. The unaudited condensed financial statements should be read in conjunction with the December 31, 2002 financial statements and footnotes thereto included in the Company's SEC Form 10 QSB.

Business and Basis of Presentation

Cyberlux Corporation ("Company") was formed on May 17, 2000 under the laws of the state of Delaware. The Company is a development stage enterprise, as defined by Statement of Financial Accounting Standards No. 7 ("SFAS No. 7") and its efforts have been principally devoted to seeking profitable business opportunities. From its inception through the date of these financial statements the Company has recognized limited revenues and has incurred significant operating expenses. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise. For the period from inception through June 30, 2003, the Company has accumulated losses of \$ 2,626,078.

Reclassification

Certain prior period amounts have been reclassified for comparative purposes.

New Accounting Pronouncements

Effective January 1, 2002, the Company adopted SFAS No.142. Under the new rules, the Company will no longer amortize goodwill and other intangible assets with definitive lives, but such assets will be subject to periodic testing for impairment. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and write downs to be included in results from operations may be necessary. SFAS No.142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. Any goodwill impairment loss recognized as a result of the transitional goodwill impairment test is recorded as a cumulative effect of a change in accounting principle. The adoption of SFAS 142 had no material impact on the Company's condensed financial statements.

CYBERLUX CORPORATION
(A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

New Accounting Pronouncements (Continued)

SFAS No. 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective in fiscal years beginning after June 15, 2002, with early adoption permitted. The Company expects that the provisions of SFAS No. 143 will not have a material impact on its consolidated results of operations and financial position upon adoption. The Company plans to adopt SFAS No. 143 effective January 1, 2003.

SFAS No. 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS No. 144 superseded Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS No. 121), and APB Opinion No. 30, "Reporting the Results of Operations -

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Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". The Company adopted SFAS No. 144 effective January 1, 2002. The adoption of SFAS No. 144 had no material impact on Company's consolidated financial statements.

In April 2002, the FASB issued Statement No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". This Statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that a similar to sale-leaseback transactions. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

CYBERLUX CORPORATION
(A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

New Accounting Pronouncements (Continued)

In October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions—an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", which removes acquisitions of financial institutions from the scope of both Statement 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The requirements relating to acquisitions of financial institutions are effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions related to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets are effective on October 1, 2002. The adoption of this Statement did not have a material impact to the Company's financial position or results of operations as the Company has not engaged in either of these activities.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", which amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in

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both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of this statement did not have a material impact on the Company's financial position or results of operations as the Company has not elected to change to the fair value based method of accounting for stock-based employee compensation.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

CYBERLUX CORPORATION
(A Development Stage Company)
Notes to Condensed Financial Statements
(Unaudited)

In April 2003, the FASB issued Statement No.149, " Amendment of Statement of 133 on Derivative Instruments and Hedging Activities ", which amends Statement 133, Accounting for Derivative Instruments and Hedging Activities. The adoption of this statement did not have a material impact on the Company's financial position.

In May 2003, the FASB issued Statement No. 150, " Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. The adoption of this statement did not have a material impact on the Company's financial position.

Prepaid Design services

On May 20, 2003, the Company expensed \$ 20,000 design services expenses previously paid to Robrady.

Short term note Payable

On May 20, 2003, the Company retired note payable and interest accrued thereon till that date to Robrady and paid 196,120 common stock at \$ 0.25 per share totaling to \$49,030.

The Company currently is in default of repayment of note payable \$ 195,000 to OneCap and the creditor has not waived the Note.

Common stock

On May 20, 2003, the Company issued 196,120 shares @ \$ 0.25 per share to Robrady

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Design to convert note payable \$ 49,030 including Interest and Principal.. The Company valued the shares issued at approximately \$0.25 per share, which represents the fair value of the services received which did not differ materially from the value of the stock issued.

On June 10, 2003, Mark D. Schmidt was issued 200,000 shares @ \$0.25 in connection with the terms and conditions of his employment agreement with the Company for \$50,000. This was the date at which a commitment for performance by the counter party to earn the equity instrument was reached. The Company valued the shares issued at approximately \$0.25 per share, which presents the fair value of the services received which did not differ materially from the value of the stock issued.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion contains forward-looking statements that are subject to significant risks and uncertainties about us, our current and planned products, our current and proposed marketing and sales, and our projected results of operations. There are several important factors that could cause actual results to differ materially from historical results and percentages and results anticipated by the forward-looking statements. The Company has sought to identify the most significant risks to its business, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurance that the Company has identified all possible risks that might arise. Investors should carefully consider all of such risks before making an investment decision with respect to the Company's stock. The following discussion and analysis should be read in conjunction with the financial statements of the Company and notes thereto. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment from our Management.

General Overview

The Company is in the development stage and its efforts have been principally devoted to designing, developing manufacturing and marketing advanced lighting systems that utilize white (and other) light emitting diodes as illumination elements.

On March 15, 2003, we signed an agreement with Cornell Partners, LP for a \$10,000,000 Equity Line of Credit investment. Cornell Capital is a domestic hedge fund, which makes investments in small to mid sized publicly traded companies. Under the Equity Line Agreement, we have the right, but not the obligation to require Cornell Capital to purchase shares of common stock up to a maximum amount over a 24 month period.

In March 2003, we made application to the National Association of Securities Dealers, Inc. for listing on the Over the Counter Bulletin Board and to obtain a trading symbol. The application is pending.

On March 9, 2003, we signed an agreement with Howard, Merrell & Partners ("HMP"), an Interpublic Company, located in Raleigh, North Carolina. Under the one year agreement, HMP will provide consumer research, advertising and other marketing support for us.

Results of Operations

The Company is in the development stage and is seeking to develop, manufacture

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and market advanced lighting systems that utilize white (and other) light emitting diodes as illumination elements. The risks specifically discussed are not the only factors that could affect future performance and results. In addition the discussion in this quarterly report concerning our business our operations and us contain forward-looking statements. Such forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. We do not have a policy of updating or revising forward- looking statements and thus it should not be assumed that silence by our Management over time means that actual events or results are occurring as estimated in the forward-looking statements herein.

As a result of limited capital resources and no revenues from operations from its inception, the Company has relied on the issuance of equity securities to non-employees in exchange for services. The Company's management

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enters into equity compensation agreements with non-employees if it is in the best interest of the Company under terms and conditions consistent with the requirements of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation. In order conserve its limited operating capital resources, the Company anticipates continuing to compensate non-employees for services during the next twelve months. This policy may have a material effect on the Company's results of operations during the next twelve months.

Revenues

We have generated no operating revenues from operations from our inception. We believe we will begin earning revenues from operations in our second year of actual operation as the Company transitions from a development stage company to that of an active growth and acquisition stage company. On July 19, 2002, we developed a web site (www.cyberlux.com) which gives us the ability to offer our products over the internet.

Costs and Expenses

From our inception through June 30, 2003, we have not generated any revenues from operations. We have incurred losses of \$ 2,626,078 during this period. These expenses were associated principally with equity-based compensation to employees and consultants, product development costs and professional services.

Liquidity and Capital Resources

As of June 30, 2003, we had a working capital deficit of \$1,617,385. As a result of our operating losses from our inception through June 30, 2003, we generated a cash flow deficit of \$784,210 from operating activities. Cash flows used in investing activities was \$ 102,494 during the period May 17, 2000 (date of Company's inception) through June 30, 2003. We met our cash requirements during this period through the private placement of \$ 177,076 of common stock, \$ 512,455 from the issuance of notes (net of repayments and costs), \$183,045 from the issuance of notes payable to Company officers and shareholders (net of repayments), and \$16,000 capital contributed by the Company's principal shareholders.

While we have raised capital to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development. We have a financing commitment in the form of an equity line of credit from Cornell

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Capital to provide the necessary working capital.

By adjusting its operations and development to the level of capitalization, management believes it has sufficient capital resources to meet projected cash flow deficits through the next twelve months. However, if thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations, liquidity and financial condition.

The Company's independent certified public accountant has stated in his report included in the Company's December 31, 2002 Form 10-KSB, as amended, that the Company has incurred operating losses in the last two years, and that the Company is dependent upon management's ability to develop profitable operations. These factors among others may raise substantial doubt about the Company's ability to continue as a going concern.

Payment of \$195,000 Note Due in June 2003. 3,265,000 shares of the Company's common stock owned by its principal shareholders and officers have been pledged as collateral for a loan of \$170,000 to OneCap, Inc. Payment of the loan was due and payable in October 2002. On December 31, 2002, the Company extended the loan payment period to June 2003 and the interest rate was increased to 18% per annum payable monthly. The Company also incurred \$25,000 loan extension charges which were charged to interest expenses and the loan was increased to \$195,000. The Company currently is in default of repayment and OneCap has not waived the Note. The Company is seeking interim financing in conjunction with its pending \$10,000,000 Equity Line of Credit with Cornell Partners, LP. One of the uses of this

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interim financing is to pay off the Note to OneCap. If the Company is unable to secure this interim financing, this could seriously affect its operations.

Product Research and Development

We anticipate performing further research and development for our exiting products during the next twelve months. Those activities include a Lazer Safety Light, Little Lamp Nursery Lamp, Power Outage Adapter, FailSafe Spot & Lamp and CampLamp Lantern. These projected expenditures are dependent upon our generating revenues and obtaining sources of financing in excess of our existing capital resources. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected costs of research and development during the next twelve months.

Acquisition of Plant and Equipment and Other Assets

We do not anticipate the sale of any material property, plant or equipment during the next 12 months. We do not anticipate the acquisition of any material property, plant or equipment during the next 12 months.

Number of Employees

From our inception through the period ended June 30, 2003, we have relied on the services of outside consultants for services and have five (5) employees. In order for us to attract and retain quality personnel, we anticipate we will have to offer competitive salaries to future employees. We anticipate that it may become desirable to add additional full and or part time employees to discharge certain critical functions during the next 12 months. This projected increase in

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personnel is dependent upon our ability to generate revenues and obtain sources of financing. There is no guarantee that we will be successful in raising the funds required or generating revenues sufficient to fund the projected increase in the number of employees. As we continue to expand, we will incur additional cost for personnel.

Trends, Risks and Uncertainties

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

Cautionary Factors that May Affect Future Results

Our annual report on December 31, 2002 Form 10-KSB, as amended, includes a detailed list of cautionary factors that may affect future results. Management believes that there have been no material changes to those factors listed, however other factors besides those listed could adversely affect us. That annual report can be accessed on EDGAR.

Item 3. Controls and Procedures

(a) Evaluation of Disclosure controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgement in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

We have carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer of the effectiveness of the design and operation of our disclosure controls and procedures as of a date within 90 days prior to the filing date of

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this quarterly report (the Evaluation date)

Based upon that evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the evaluation date.

(a) Changes in internal controls

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the evaluation date.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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See Item 3: Legal Proceedings in our annual report on Form 10-KSB for the year ended 12/31/02 for a description of current legal proceedings. There have been no material changes with respect to legal proceedings since that report was filed.

Item 2. Changes in Securities and Use of Proceeds.

On May 20, 2003, the Company issued 196,120 shares @ \$ 0.25 per share to Robrady Design to convert note payable \$ 49,030 including Interest and Principal.

On June 10, 2003, Mark D. Schmidt was issued 200,000 shares @ \$0.25 in connection with the terms and conditions of his employment agreement with the Company.

Item 3. Defaults Upon Senior Securities.

None.

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

None

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
10.10	Executive Employment Agreement of Mark D. Schmidt
99.1	Certification of Donald F. Evans (Filed herewith)
99.2	Certification of David D. Downing (Filed herewith)

(b) Reports on Form 8-K

None

SIGNATURES

In accordance with requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cyberlux Corporation
(Registrant)
Date: August 14, 2003

/s/ Donald F. Evans

Donald F. Evans

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President and Chairman of the Board

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CERTIFICATIONS

I, Donald F. Evans, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Cyberlux Corporation.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal

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controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: August 14, 2003

/s/ Donald F. Evans

Donald F. Evans
President and Chief Executive Officer

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CERTIFICATIONS

I, David D. Downing, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Cyberlux Corporation.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other

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employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: August 14, 2003

/s/ David D. Downing

David D. Downing
Treasurer and Chief Financial Officer

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EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cyberlux Corporation (the Company) on Form 10-QSB for the period ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Donald F. Evans, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Donald F.. Evans

Donald F. Evans
President and Chief Executive Officer
August 14, 2003

EXHIBIT 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cyberlux Corporation (the Company) on Form 10-QSB for the period ending June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David D. Downing, Chief Financial Officer, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David D. Downing

David D. Downing
Treasurer and Chief Financial Officer
August 14, 2003

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PHILIP TIMON

Date: May 26, 2004

By /S/ Philip Timon
Philip Timon, managing member

EXHIBIT 1 -- AGREEMENT OF JOINT FILING

In accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, the undersigned hereby agrees that the foregoing statement on Schedule 13G/A, is filed on behalf of each of the undersigned and that all subsequent amendments to this statement on Schedule 13G, shall be filed on behalf of each of the undersigned without the necessity of filing additional joint acquisition statements. The undersigned acknowledge that each shall be responsible for the timely filing of such amendments, and for the completeness and accuracy of the information concerning him or it contained therein, but shall not be responsible for the completeness and accuracy of information concerning the others, except to the extent that he or it knows or has reason to believe that such information is inaccurate.

IN WITNESS WHEREOF, the undersigned hereby execute this Agreement on the 26th day of May, 2004.

ENDOWMENT CAPITAL, L.P.

Date: May 26, 2004

By /S/ Philip Timon
Philip Timon, managing member of Endowment Capital
Group, LLC, general partner

LONG DRIVE, L.P.

Date: May 26, 2004

By /S/ Philip Timon
Philip Timon, managing member of Endowment Capital
Group, LLC, general partner

ENDOWMENT CAPITAL GROUP, LLC

Date: May 26, 2004

By /S/ Philip Timon
Philip Timon, managing member

ENDOWMENT MANAGEMENT, LLC

Date: May 26, 2004

By /S/ Philip Timon
Philip Timon, managing member

PHILIP TIMON

Date: May 26, 2004

By /S/ Philip Timon
Philip Timon