

Lightwave Logic, Inc.
Form 10-Q
May 17, 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 March 31, 2010

OR

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

For the transition period from _____ to _____

Commission File Number 0-52567

Lightwave Logic, Inc.

(Exact name of registrant as specified in its charter)

Nevada

82-049-7368

(State or other jurisdiction of

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

121 Continental Drive

Suite 110

19713

Newark, DE

(Zip Code)

(Address of principal executive offices)

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

BALANCE SHEETS

| | March 31, 2010 (Unaudited) | December 31, 2009 (Audited) |
|--|-------------------------------|--------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 79,466 | \$ 459,989 |
| Prepaid expenses | 59,204 | 53,373 |
| | 138,670 | 513,362 |
| PROPERTY AND EQUIPMENT - NET | 112,104 | 104,087 |
| OTHER ASSETS | | |
| Intangible assets | 276,456 | 261,215 |
| TOTAL ASSETS | \$ 527,230 | \$ 878,664 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 79,220 | \$ 70,730 |
| Accounts payable - related party | 7,541 | 12,121 |
| Accrued expenses | 51,452 | 48,825 |
| CONTINGENCY | | |
| TOTAL LIABILITIES | 138,213 | 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 | | |
| 41,166,542 and 41,166,542 issued and outstanding at | | |
| March 31, 2010 and December 31, 2009 | 41,167 | 41,167 |
| Additional paid-in-capital | 18,037,976 | 17,385,295 |
| Accumulated deficit | (15,827) | (15,827) |
| Deficit accumulated during development stage | (17,674,299) | (16,663,647) |
| TOTAL STOCKHOLDERS' EQUITY | 389,017 | 746,988 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 527,230 | \$ 878,664 |

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDING

MARCH 31, 2010 AND 2009 AND FOR THE PERIOD

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

(UNAUDITED)

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

\

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY

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

MARCH 31, 2010

(UNAUDITED)

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

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

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

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

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

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

| | | | | | | | | | |
|---|---------|-----|---------|-------|---------|----------|---|---|----------|
| February 2006, valued at \$0.50/share | 400,000 | 400 | 619,600 | - | - | - | - | - | 620,000 |
| Common stock issued for future services | | | | | | | | | |
| May 2006, valued at \$0.55/share | 25,000 | 25 | 36,225 | - | - | - | - | - | 36,225 |
| Common stock issued for future services | | | | | | | | | |
| June 2006, valued at \$0.45/share | 60,000 | 60 | 29,340 | - | - | - | - | - | 29,340 |
| Warrants issued for future services in September 2006, vested during 2006, valued at \$0.45/share | - | - | 66,500 | - | - | - | - | - | 66,500 |
| Warrants issued for future services in June 2006, vested during 2006, valued at \$0.55/share | - | - | 465,996 | - | - | - | - | - | 465,996 |
| Options issued for future services in February 2006, vested during 2006, valued at \$0.01/share | - | - | 428,888 | - | - | - | - | - | 428,888 |
| Contributed capital related to accrued interest on subscription receivable | - | - | 35,624 | - | - | - | - | - | 35,624 |
| Amortization of deferred charges | - | - | - | 6,500 | - | - | - | - | 6,500 |
| | - | - | - | - | 318,545 | - | - | - | 318,545 |
| | - | - | - | - | - | (26,000) | - | - | (26,000) |

| | | | | | | | | | | | | | | | | | | | |
|---------------|------------|----|--------|-------------|----|---|----|---|----|----------|----|----------|----|-------------|-------------|---------|--|--|--|
| realized gain | | | | | | | | | | | | | | | | | | | |
| (s) on | | | | | | | | | | | | | | | | | | | |
| urities | | | | | | | | | | | | | | | | | | | |
| loss for the | | | | | | | | | | | | | | | | | | | |
| r ending | | | | | | | | | | | | | | | | | | | |
| ember 31, | | | | | | | | | | | | | | | | | | | |
| 6 | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,933,809) | (2,933,809) | | | | |
| LANCE AT | | | | | | | | | | | | | | | | | | | |
| CEMBER | | | | | | | | | | | | | | | | | | | |
| 2006 | 27,888,750 | \$ | 27,889 | \$5,966,430 | \$ | - | \$ | - | \$ | (26,000) | \$ | (15,827) | \$ | (5,377,720) | \$ | 574,720 | | | |

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY

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

MARCH 31, 2010 (CONTINUED)

(UNAUDITED)

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

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

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

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

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

| | | | | | | | | | |
|-------------------|------------|--------|------------|---|-----------|----------|----------|-------------|-------------|
| 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, | | | | | | | | | |
| valued at | | | | | | | | | |
| \$0.75/share | 100,000 | 100 | 74,900 | - | - | - | - | - | 75,000 |
| | 200,000 | 200 | 359,800 | - | - | - | - | - | 360,000 |

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

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

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

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

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

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

STATEMENT OF STOCKHOLDERS EQUITY

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

MARCH 31, 2010 (CONTINUED)

(UNAUDITED)

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

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

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

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

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

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

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

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

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

STATEMENTS OF CASH FLOW FOR THE THREE MONTHS ENDING

MARCH 31, 2010 AND 2009 AND

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

MARCH 31, 2010

(UNAUDITED)

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

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

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

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

STATEMENTS OF CASH FLOW FOR THE THREE MONTHS ENDING

MARCH 31, 2010 AND 2009 AND

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

MARCH 31, 2010

(UNAUDITED)

| | Cumulative | For the | For the |
|--|------------|-----------|-----------|
| | Since | Three | Three |
| | Inception | Months | Months |
| | | Ending | Ending |
| | | March 31, | March 31, |
| | | 2010 | 2009 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAID DURING THE PERIOD FOR:

| | | | | | | |
|----------|----|--------|----|----|----|-----|
| Interest | \$ | 22,453 | \$ | 66 | \$ | 414 |
|----------|----|--------|----|----|----|-----|

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 | \$ | - | \$ | 10,000 |
| Realized loss reclassification | \$ | - | \$ | - | \$ | - |
| Accrued interest contributed as capital | \$ | 35,624 | \$ | - | \$ | - |
| Common stock issued in the conversion of notes payable | \$ | 529,000 | \$ | - | \$ | - |
| | \$ | 24,643 | \$ | - | \$ | - |

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

Acquisition of automobile through loan payable

Common stock issued upon exercise of a warrant

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

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 1- FINANCIAL STATEMENTS

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

Loss Per Share

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

Comprehensive Income

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

Recently Issued Accounting Pronouncements Not Yet Adopted

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 1- FINANCIAL STATEMENTS (CONTINUED)

Recently Adopted Accounting Pronouncements

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

This standard is not currently applicable to the Company.

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

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

This standard is not currently applicable to the Company.

NOTE 2 GOING CONCERN

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 3 EQUIPMENT

Equipment consists of the following:

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

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

NOTE 4 INTANGIBLE ASSETS

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

NOTE 5 INCOME TAXES

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

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

NOTE 6 STOCKHOLDERS EQUITY

Preferred Stock

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants

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

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

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

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

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

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

uncollectible.

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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

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

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

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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

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

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

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

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

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

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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

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

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

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

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

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

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

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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

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

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

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

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

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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

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

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

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

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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

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

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

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

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

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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

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

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

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

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

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 6 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

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

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

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

NOTE 7 STOCK BASED COMPENSATION

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

Non-Qualified Stock Options and Warrants Outstanding and Exercisable

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

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 7 STOCK BASED COMPENSATION (CONTINUED)

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

NOTE 8 CONTINGENCY

2005 Private Offering

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

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

NOTE 9 RELATED PARTY

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

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

LIGHTWAVE LOGIC, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 10 SUBSEQUENT EVENTS

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

Item 2.

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

The following management's discussi