

**QUARTERLY REPORT  
FOR THE QUARTER ENDED  
MARCH 31, 2012**



**CYBERLUX CORPORATION**

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Durham, NC 27701  
Phone: 919-474-9700  
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FEDERAL TAX I.D.  
91-2048978

CUSIP No  
23247M205

SIC NUMBER  
3674 6 Semi-conductors and related devices

ISSUER'S EQUITY SECURITIES

COMMON STOCK  
\$.001 Par Value  
1,018,375,578 Shares Issued and Outstanding as of March 31, 2012

## **Part A: General Company Information**

### **Item 1. The exact name of the issuer and its predecessor (if any).**

Cyberlux Corporation

### **Item 2. The address of the issuer's principal executive offices.**

Cyberlux Corporation  
923 Franklin Street  
Durham, NC 27701  
Phone: 919-474-9700  
Fax: 919-474-9712  
Website: <http://www.cyberlux.com>

### **Item 3. The Jurisdiction(s) and date of the issuer's incorporation or organization.**

Incorporated in the State of Nevada on May 17, 2000

## **Part B: Share Structure**

### **Item 4. The exact title and class of securities outstanding.**

Class of Securities Outstanding:	Common Stock and Preferred A, B and C
Security Symbol:	CYBL.PK
CUSIP Number	23247M205

### **Item 5. Par or stated value and description of the security.**

#### *A. Par or stated value.*

The Par Value of Common Stock is \$0.001 per share.  
The Par Value of Series A, B and C Preferred Stock is \$0.001 per share.

#### *B. Common or Preferred Stock*

##### **1. Common Stock**

We are authorized to issue up to 20,000,000,000 shares of common stock, par value \$.001. As of December 31, 2011 there were 863,875,578 shares of common stock outstanding. As of March 31, 2012, there were 1,018,375,578 shares of common stock outstanding. Holders of the common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available therefore. Upon the liquidation, dissolution, or winding up of our company, the holders of common stock are entitled to share ratably in all of our assets which are legally available for distribution after payment of all debts and other liabilities and liquidation preference of any outstanding common stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are validly issued, fully paid and non-assessable.

## 2. Preferred Stock

Our Articles of Incorporation authorize the issuance of 100,000,000 shares of preferred stock, \$0.001 par value per share, the designation and rights of which are to be determined by our Board of Directors. Our Board of Directors has authority, without action by the shareholders, to issue all or any portion of the authorized but unissued preferred stock in one or more series and to determine the voting rights, preferences as to dividends and liquidation, conversion rights, and other rights of such series. We consider it desirable to have preferred stock available to provide increased flexibility in structuring possible future acquisitions and financing and in meeting corporate needs which may arise. If opportunities arise that would make desirable the issuance of preferred stock through either public offering or private placements, the provisions for preferred stock in our Articles of Incorporation would avoid the possible delay and expense of a shareholder's meeting, except as may be required by law or regulatory authorities. Issuance of the preferred stock could result, however, in a series of securities outstanding that will have certain preferences with respect to dividends and liquidation over the common stock which would result in dilution of the income per share and net book value of the common stock.

Issuance of additional common stock pursuant to any conversion right which may be attached to the terms of any series of preferred stock may also result in dilution of the net income per share and the net book value of the common stock. The specific terms of any series of preferred stock will depend primarily on market conditions, terms of a proposed acquisition or financing, and other factors existing at the time of issuance. Our Board of Directors may issue additional preferred stock in future financing, but has no current plans to do so at this time. The issuance of Preferred Stock could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock.

### Series A Convertible Preferred Stock

As of both December 31, 2011 and March 31, 2012, we have 26,980,600 shares of our Series A Convertible Preferred Stock issued and outstanding. Each share is convertible into 250 shares of common stock. The Series A Convertible Preferred have the following designations and rights:

Maturity:	Perpetual Preferred
Dividend:	12% per annum. The dividend shall be payable semi-annually in cash or common stock at our option.
Fixed Conversion Price:	The Series A Convertible Preferred shall be convertible into common stock at \$0.10 per share.
Stated Value:	\$5,000 per share

**Mandatory Conversion:** Beginning 180 days from the effective date of a registration statement, if the closing bid price for our common stock exceeds \$1.50 for a period of 10 consecutive trading days, we have the right to force the holders to convert the Series A Convertible Preferred into common stock at the applicable conversion price.

**Limitations on Conversion:** Each holder of the Series A Convertible Preferred shares shall not convert the shares into common stock such that the number of shares of common stock issued after the conversion would exceed, when aggregated with all other shares of common stock owned by such holder at such time, in excess of 4.99% of our then issued and outstanding shares of common stock.

**No Voting Rights:** The holders of the Series A convertible shares have no voting rights until their shares are converted to common shares.

### Series B Convertible Preferred Stock

The Board of Directors, pursuant to our Articles of Incorporation and By-Laws, authorized Series B Convertible Preferred Stock which was issued to officers and directors in order to convert accrued management fees and other liabilities into shares of the Series B Preferred Stock. The Series B Convertible Preferred Stock has the following designations and rights:

As of both December 31, 2011 and March 31, 2012, we have 100,000,000 shares of our Series B Convertible Preferred Stock issued and outstanding.

Term: Perpetual Preferred  
Dividend: 12% per annum  
Conversion: Each share of the Series B Convertible Preferred Stock may be converted to 200 shares of our common stock at the option of the bearer.

Voting Rights: Except with respect to transactions upon which the Series B Preferred stock shall be entitled to vote separately, the Series B Preferred Stock shall have superior voting rights equal to one times the number of shares of Common Stock such holder of Series B Preferred Stock would receive upon conversion of such holder's shares of Series B Preferred Stock. The conversion price is \$0.10 per share.

#### Series C Convertible Preferred Stock

On November 13, 2006, the Company filed a Certificate of Designation creating a Series C Convertible Preferred Stock classification for 100,000 shares. This was subsequently amended on January 11, 2007 to 700,000 shares. There are currently 150,000 Series C Convertible Preferred shares outstanding.

As of both December 31, 2011 and March 31, 2012, we had 150,000 shares of our Series C Convertible Preferred Stock issued and outstanding.

Term: Perpetual Preferred  
Dividend: 5% per annum  
Conversion: The shares of the Series C Preferred are convertible at the option of the holder into common shares one year from issuance.

No Voting Rights. The holders of the Series A convertible shares have no voting rights until their shares are converted to common shares.

3. Describe any other material rights of common or preferred stockholders.

None.

4. Describe any provisions in the Issuer's charter or by-laws that would delay, defer or prevent a change in control of the Issuer.

None.

#### **Item 6. The number of shares or total amount of the securities outstanding for each class of securities authorized.**

##### Common Stock

For the period ending March 31, 2012:

Shares Authorized:	20,000,000,000
Shares Outstanding:	1,108,375,578
Public Float:	1,017,046,803
Number of Shareholders of Record:	261

## Preferred Stock

### **Preferred A - For the period ending March 31, 2012:**

Shares Authorized:	200
Shares Outstanding:	26.9806
Public Float:	0
Number of Shareholders of Record:	8

### **Preferred B - For the period ending March 31, 2012:**

Shares Authorized:	100,000,000
Shares Outstanding:	100,000,000
Public Float:	0
Number of Shareholders of Record:	5

### **Preferred C - For the period ending March 31, 2012:**

Shares Authorized:	150,000
Shares Outstanding:	150,000
Public Float:	0
Number of Shareholders of Record:	2

## **Part C: Business Information**

### **Item 7. The name and address of the transfer agent.**

Name: Standard Registrar and Transfer Company, Inc.  
Address: 12528 South 1840 East Draper, UT 84020  
Phone: Main: (801) 571-8844 / Fax: (801) 571-2551

Standard Registrar & Transfer Company, Inc. is registered under the Exchange Act and is regulated by the Securities and Exchange Commission.

### **Item 8. The nature of the issuer's business.**

#### **A. Business Development.**

Cyberlux Corporation (the "Company") was incorporated under the laws of the State of Nevada on May 17, 2000. Until December 31, 2004, the Company was a development stage enterprise as defined under Accounting Standards Codification subtopic 915-10 Development Stage Entities. The Company was publicly traded on the OTCBB exchange from August 2004 to May 2011 and is now traded under CYBL.PK on the OTC Markets. While the Company has generated revenues from its sale of products, the Company has incurred expenses, and sustained losses. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise. As of March 31, 2012, the Company has accumulated losses of \$35,938,854.

#### **1. The form of organization of the issuer:**

Nevada C Corporation

#### **2. The year that the issuer (or any predecessor) was organized:**

2000

3. The issuer's fiscal year end date:

12/31

4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding:

The Issuer has never been in bankruptcy or receivership.

5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets:

None.

6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments:

From time to time, the Company has had contractual obligations which the Issuer has not completely fulfilled and payment plans have resulted. None of these plans have been a source of default and currently the Company is without any breach.

7. Any change of control:

None.

8. Any increase of 10% or more of the same class of outstanding equity securities:

Since the Issuer completed its reverse split on July 28, 2010, it has increased its shares of common stock by 779,281,568. These increases occurred primarily because of financing in shares of common stock were issued and settlement of litigation in which, under the terms of the settlement, the other party would receive shares of our common stock.

9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization:

The Issuer completed a reverse split on a basis of 200 to 1 of the outstanding shares of Common Stock on July 28, 2010.

10. Any de-listing of the issuer's securities by any securities exchange or deletion from the OTC:

None.

11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved:

From time to time we are involved in various claims and legal actions arising in the ordinary course of business. In our opinion, the ultimate disposition of these matters will not have a material effect on our financial position, results of operations or cash flows.

12. Deregistration

On May 10, 2011, we filed a Form 15 with the SEC to terminate the registration of our common stock and suspend our reporting obligations under the Exchange Act, which has become effective. We intend to continue to provide information to our stockholders and to take such actions within our control to enable

our common stock to be quoted on the OTC Markets so that our stockholders will have a place to trade their shares. There is no guarantee, however, that a broker will continue to make a market in our common stock, that we will be able to take the actions required to enable our shares to be quoted on the OTC Markets, or that trading of our common stock will continue on the OTC Markets or otherwise.

## B. Business of Issuer.

### 1. The Issuer's primary and secondary SIC Codes:

The Primary SIC Code for the Issuer is: 3674 Semi-conductors and related devices.

### 2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations:

The Issuer is currently conducting operations.

### 3. If the issuer is considered a "shell company" pursuant to Securities Act Rule 405

The Issuer has never been considered a shell company pursuant to Securities Act Rule 405.

### 4. The names of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure statement:

None.

### 5. The effect of existing or probable governmental regulations on the business:

None.

### 6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers:

We have directly invested \$78,885 on research and development projects over the last two fiscal years to develop new products or refine current products for customer requirements. In addition, we have spent an estimated 6-man months in 2009 and 2010 on these projects. We anticipate continuing to incur research and development expenditures in connection with the development of our DoD/military and OEM LED product capability over next twelve months. These projected expenditures are dependent upon our generating revenues and allocating our existing capital resources to research and development. There is no guarantee that we will generate revenues sufficient to fund the projected costs of research and development during the next twelve months.

### 7. Costs and effects of compliance with environmental laws (federal, state and local):

None.

### 8. The number of total employees and number of full-time employees:

The Company has eight full-time employees as of March 31, 2012.

## **Item 9. The nature of products or services offered.**

### **A. Principal products or services and their markets:**

We have been principally devoted to designing, developing and marketing advanced lighting systems that utilize white, infrared (IR) and other light-emitting diodes (LEDs) as illumination elements. We are developing and marketing product applications of solid-state LEDs that are up to 70% more energy efficient and require significantly less maintenance cost to operate than traditional lighting systems. Using proprietary technology, we are creating portable illumination systems for the Department of Defense (DoD)/military markets and lighting products focused on energy efficiency and total cost of ownership minimization. We believe our solid-state lighting technology offers extended light life, greater energy efficiency and greater overall cost effectiveness than other existing forms of lighting.

Our business model is to operate as the prime contractor for DoD contracts or as an OEM supplier supporting existing prime contractors who hold existing contracts. We supply solid-state LED lighting products, based on proprietary design and technology, to DoD/military and Homeland Security customers, and we provide our OEM LED product capabilities to companies serving large markets.

For the DoD/military markets, our tactical illumination system products address the lighting needs of all branches of the military and all government organizations, including the National Guard, the U. S. Air Force and the U.S. Army. The BrightEye Tactical Illumination Systems are designed as highly portable, visible illumination systems with night-vision compatibility for mission-critical tactical lighting where rapid deployment and high-intensity lighting capability are required. Using advanced optics, advanced solid-state lighting technology and light-weight advanced battery power, all contained in easily transportable wheeled cases, the BrightEye Tactical Lighting Systems provide broad area visible white lighting and night-vision compatible IR lighting capable of operating all night, with is unavailable in traditional lighting systems. As an OEM supplier, our LED lighting product capabilities address the lighting requirements in markets where energy efficiency and reduced maintenance costs are critical needs.

For as long as we have demand for our products, we will be producing and fulfilling BrightEye Tactical Lighting Systems and related products for the DoD/military markets.

### **B. Distribution methods of the products or services:**

We sell directly to the customer, with either products in the DoD/military markets or with products an OEM supplier of LED lighting product capabilities.

### **C. Status of any publicly announced new products or service:**

We are manufacturing and shipping BrightEye Dual Head Tactical Lighting Systems for the National Guard as previously disclosed.

### **D. Competitive business conditions, the Issuer's competitive position in the industry, and methods of competition:**

We are a recognized leader within the Department of Defense marketplace for solid-state LED lighting innovation. We have developed LED lighting technology that is among the most energy efficient and cost effective portable tactical lighting available today for Department of Defense/military and commercial uses.

### **E. Sources and availability of raw materials and the names of principal suppliers:**

We consider our principle suppliers to be proprietary information. We build our products principally in the United States with domestic suppliers and we have high-volume manufacturing capability throughout China and Mexico as well.



F. Dependence on one or a few major customers:

We sell to Department of Defense customers encompassing all branches of the military and all government organizations, including the National Guard, the U. S. Air Force and the U.S. Army.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration:

The following summarizes the patent and trademark holding of Cyberlux Corporation.

Cyberlux Corporation is the registered owner of the CYBERLUX® mark for lighting products, namely, diodal illuminators. Trademark applications are pending for the RELIABRIGHT™ , RELYON™ , FOCUSON™ , EVERON™ , BRIGHTEYE™ , WATCHDOG™ , LUMENOPTIC™ and KEON™ marks. The above marks are registered under International Goods and Services Class 9 (Electrical and Scientific Apparatus), Class 11 (Environmental Control Apparatus), or both.

Cyberlux Corporation is the owner of five U.S. Patents:

1. U.S. Patent No. 6,752,515, issued June 22, 2004, and is entitled Apparatus and Method for Providing Emergency Lighting.
2. U.S. Patent No. 6,986,589, issued January 17, 2006, and is entitled Apparatus and Method for Providing an Emergency Lighting Augmentation System.
3. U.S. Patent No. 7,045,975, issued May 16, 2006 and is entitled Apparatus and Methods for Providing Emergency Safety Lighting.
4. U.S. Patent No. 7,355,349, issued April 8, 2008, which is entitled Apparatus and Methods for Providing Emergency Safety Lighting for transforming an existing electrical wall outlet into an emergency lighting system.
5. U.S. Patent No. 7,452,099, issued November 18, 2008, which is entitled Portable Lighting Device and embodies portable LED lighting devices comprised of a body, a handle, a user interface and a pivotal support of a lighting element assembly.

In addition, the Company has two pending patents for Portable Lighting Devices and Multi-Mode Illumination presently filed as United States patent applications.

H. The need for any government approval of principal products or services. Discuss the status of any requested government approvals.

We have no pending approvals required to sell our products to our customers. Our products have all necessary approvals.

**Item 10. The nature and extent of the issuer's facilities.**

We maintain our principal office at 923 Franklin St., Durham, North Carolina 27701. Our telephone number at that office is (919) 474-9700 and our facsimile number is (919) 474-9712. The monthly rent is \$1,350, subject to

an annual cost of living increase. We believe that our current office space and facilities are sufficient to meet our present needs and do not anticipate any difficulty securing alternative or additional space, as needed, on terms acceptable to us. We maintain websites at [www.cyberlux.com](http://www.cyberlux.com). The information contained on the website is not deemed to be a part of this annual report.

## **Part D Management Structure and Financial Information**

### **Item 11. The name of the chief executive officer, members of the board of directors, as well as control persons.**

#### A. Officers and Directors.

Set forth below are the directors and executive officers of the Company, their ages and positions held with the Company. The address for each director and executive officer is our principle executive offices, located at 4625 Creekstone Drive, Suite 130, Durham, NC 27703.

Name	Age	Position
Mark D. Schmidt	47	President, Chief Executive Officer and Director
John W. Ringo	67	Chairman of the Board of Directors, Secretary and Corporate Counsel
Alan H. Ninneman	68	Senior Vice President and Director
David D. Downing	62	Chief Financial Officer, Treasurer and Director

Directors are elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified. Currently there are four seats on our board of directors.

Currently, our Directors are not compensated for their services. Officers are elected by the Board of Directors and serve until their successors are appointed by the Board of Directors. Biographical resumes of each officer and director are set forth below.

**MARK D. SCHMIDT.** Mr. Schmidt became our Chief Executive Officer on July 1, 2008. Mr. Schmidt was been our President, Chief Operating Officer and Director since May 2003. From December 1999 until December 2002, Mr. Schmidt was a founder and executive of Home Director, Inc., the IBM Home Networking Division spin-off company and a public company. Mr. Schmidt is a former IBM executive with over 15 years of consumer marketing, business management and venture startup experience. Mr. Schmidt graduated Summa Cum Laude with a Bachelor of Science Degree in Engineering from North Carolina State University and earned an MBA Degree from the Fuqua School of Business at Duke University.

**JOHN W. RINGO.** Mr. Ringo became our Chairman of the Board on July 1, 2008. Mr. Ringo has been our Secretary, Corporate Counsel and a Director since May 2000. Since 1990, Mr. Ringo has been in private practice in Marietta, GA specializing in corporate and securities law. He is a former Staff Attorney with the U. S. Securities and Exchange Commission, a member of the Bar of the Supreme Court of the United States, the Kentucky Bar Association and the Georgia Bar Association. Mr. Ringo graduated from the University of Kentucky in Lexington, KY with a BA Degree in Journalism. Subsequently, he received a Juris Doctor Degree from the University Of Kentucky College Of Law.

**ALAN H. NINNEMAN.** Mr. Ninneman has been our Senior Vice President and a Director since May 2000. From 1992 until April 2000, Mr. Ninneman was a Chief Executive Officer of City Software, Inc. based in Albuquerque, New Mexico. He was a senior support analyst for Tandem Computer, San Jose, California from 1982 to 1985; senior business analyst at Apple Computer, Cupertino, California from 1985 to 1987; and Director of Operations at Scorpion Technologies, Inc., San Jose, California. Mr. Ninneman attended Elgin Community College, Elgin, IL and subsequently majored in business administration at Southern Illinois University, Carbondale, IL.

DAVID D. DOWNING. Mr. Downing has been our Chief Financial Officer and Treasurer since May 2000. He became a director in December 2008. Mr. Downing joined Marietta Industrial Enterprises, Inc., Marietta, Ohio in November 1991 as its Chief Financial Officer. He was elected to the Board of Directors of that Company in January 1994. He has been a Director of American Business Parks, Inc., Belpre, Ohio since January 1998 and served as a director of Agri-Cycle Products, Inc. from May 1998 until April 2001. He also served in a variety of financial management positions for 21 years with the Dravo Corporation, formerly of Pittsburgh, Pa. Mr. Downing graduated from Grove City College, Grove City, PA with a BA Degree in Accounting.

#### Executive Compensation

Since mid-2008, Management has been focused on the turnaround effort required for the Company to ultimately be successful in the longer term. We continue to be fully committed to completing the restructuring tasks ahead, and issues that were created in past years are systematically and judicially being resolved. This effort is critical in creating the value we expect the Company to have. As a result of the cash flow needs of the business, Officers have been accruing salaries and bonuses during this time. The table below shows the Officer compensation for 2009 and 2010, which was accrued:

#### B. Legal/Disciplinary History.

During the past five years, none of our executive officers or directors has been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None.

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the SEC, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated;

None.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

None.

C. Disclosure of Family Relationships. Describe any family relationships among and between the issuer's directors, officers, persons nominated or chosen by the issuer to become directors or officers, or beneficial owners of more than five percent (5%) of any class of the issuer's equity securities:

None.

D. Disclosure of Related Party Transactions. Any transaction during the issuer's last two full fiscal years and the current fiscal year or any currently proposed transaction, involving the issuer, in which (i) the amount involved exceeds the lesser of \$120,000 or one percent of the average of the issuer's total assets at year-end for its last three fiscal years and (ii) any

related person had or will have a direct or indirect material interest:

**Please refer to the table shown in Item 12 Note F - Related Party Transactions.**

E. Disclosure of Conflicts of Interest

None.

**Item 12. Financial information for the issuer's most recent fiscal period**

The 2012 Financial Statements as of March 31, 2012 are included below:

## Consolidated Balance Sheet

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash & cash equivalents	\$ 6,141	\$ 7,479
Investment - restricted use	63	63
Accounts Receivable, Allowance for Doubtful Accounts is \$ 0	76,715	177,362
Inventory	-	-
Other current assets	185,528	4,500
Total current assets	268,447	189,403
Property, plant and equipment, net of accumulated depreciation of \$ 88,729 and \$ 87,338 respectively	3,903	5,294
Other Assets:		
Patents, net of accumulated amortization of \$ 3,974,974 and \$3,974,974 respectively	-	-
Total Assets	\$ 272,350	\$ 194,697

### Liabilities and Deficiency in Stockholders' Equity

Current liabilities:		
Accounts payable	1,863,182	2,154,888
Accrued interest	503,060	466,559
Accrued liabilities	1,941,051	1,741,186
Deferred revenue	-	-
Short-term notes payable, related parties	939,384	949,429
Short-term notes payable, non-related parties	8,637,878	8,637,878
Warrants payable	273,595	274,859
Total current liabilities	14,158,150	14,224,799
Long-term liabilities:		
Total long-term liabilities	-	-
Deficiency Stockholders' equity:		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized		
Class A Preferred, 26.9806 and 26.9806 shares issued and outstanding as of March 31, 2012 and December 31, 2011 respectively	134,900	134,900
Class B Preferred, 100,000,000 and 100,000,000 shares issued and outstanding as of March 31, 2012 and December 31, 2011 respectively	100,000	100,000

Class C Preferred, 150,000 and 150,000 shares issued and outstanding as of March 31, 2012 and December 31, 2011 respectively	150	150
Common stock, \$0.001 par value, 20,000,000,000 shares authorized, 1,018,375,578 and 863,875,578 shares issued and outstanding as of March 31, 2012 and December 31, 2011 respectively	1,018,376	863,876
Additional paid-in capital	20,799,628	20,944,858
Accumulated deficit	<u>(35,938,854)</u>	<u>(36,073,885)</u>
Deficiency in stockholders' equity	<u>(14,020,700)</u>	<u>(14,165,001)</u>
Total liabilities and (deficiency) in stockholders' equity	<u>\$ 272,350</u>	<u>\$ 194,697</u>

The accompanying notes are an integral part of these financial statements

## Condensed Statements of Operations

	March 31, 2012	March 31, 2011
Revenue	532,385	1,530,144
Cost of goods sold	(226,797)	(717,936)
	305,588	812,208
Operating Expenses:		
Marketing and advertising	4,925	7,587
Depreciation and amortization	1,391	3,395
Research and development	3,985	11,647
General and administrative expenses	118,893	781,473
Total operating expenses	129,194	804,102
Income from operations	176,394	8,106
Other income/(expense)		
Gain on debt conversion		
Gain/(Loss) on sale of fixed assets	-	-
Impairment Loss	-	-
Interest income	3	-
Interest expense	(41,365)	(48,153)
Net income/(loss) before provision for income taxes and preferred dividend	135,032	(40,047)
Income taxes (benefit)	-	60
Net income/(loss) available to common stockholders	\$ 135,032	\$ (40,107)
Weighted average number of common shares outstanding, basic		
	768,408,365	141,585,442
Loss per share - basic and fully diluted	0.00	(0.00)

## Condensed Consolidated Statement of Cash Flow

	2012	Three Months Ended March 31	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss) available to common stockholders	\$ 135,032		\$ (40,107)
Adjustments to reconcile net income (loss)			
Depreciation	1,391		3,395
Common stock issued in settlement of debt	-		74,219
(Increase) decrease in:			
Accounts receivable	100,647		170,000
Inventories	-		29,585
Prepaid expenses and other assets	(181,028)		-
Accounts payable	(291,707)		(318,205)
Deferred revenues	-		
Accrued liabilities	236,367		352,810
Net cash (used in) operating activities	702		271,697
CASH FLOWS FROM INVESTING ACTIVITIES	-		-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from conversion of warrants	9,270		103,320
Proceeds from the sale of common stock	-		-
Net proceeds (payments) from borrowing on a long term basis	-		(171,435)
Net proceeds (payments) from notes payable, related parties	(10,044)		(119,813)
Net proceeds (payments) from warrants payable	(1,264)		(92,457)
Net cash provided by financing activities	(2,039)		(280,385)
Net increase in cash and cash equivalents	(1,337)		(8,688)
Cash and cash equivalents at beginning of period	7,479		49,055
Cash and cash equivalents at end of period	6,141		40,367
Supplemental disclosures			
Interest Paid	\$ 4,864		\$ -
Income taxes paid	\$ -		\$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:			



**Cyberlux Corporation**  
**Statement of Changes In Stockholders Equity**  
**For The Period Ended March 31, 2012**

	Class B Preferred Shares	Stock Amount	Class C Preferred Shares	Stock Amount	Common Shares	Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total
Balance December 31, 2011	100,000,000	100,000	150,000	150	863,875,578	863,876	20,944,858	(36,073,885)	(14,165,001)
Stock issued on conversion of warrants					154,500,000	154,500	(145,230)		9,270
Net Income/ (Loss)								135,031	135,031
Balance March 31, 2011	100,000,000	100,000	150,000	150	1,018,375,578	1,018,376	20,799,628	(35,938,854)	(14,020,700)

## **NOTE A-SUMMARY OF ACCOUNTING POLICIES**

### General

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

### Business and Basis of Presentation

Cyberlux Corporation (the "Company") is incorporated on May 17, 2000 under the laws of the State of Nevada. The Company develops, manufactures and markets long-term portable lighting products for commercial and industrial users. While the Company has generated revenues from its sale of products, the Company has incurred expenses, and sustained losses. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise. As of December 31, 2011, the Company has accumulated losses of \$35,938,854.

### Revenue Recognition

Revenues are recognized in the period that products are provided. For revenue from product sales, the Company recognizes revenue in accordance with FASB Accounting Standards Codification 605, "REVENUE RECOGNITION SEC STAFF ACCOUNTING BULLETIN TOPIC 13" . ASC 605 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue for which the product has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered or no refund will be required. At December 31, 2010 and 2009, the Company did not have any deferred revenue.

ASC 605 incorporates Accounting Standards Codification 605-25, REVENUE REGOGNITION MULTIPLE-ELEMENT ARRANGEMENTS. ASC 605-25 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing EITF 00-21 on the Company's financial position and results of operations was not significant.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and cash equivalents

For purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

### Foreign Currency Translation

The Company translates the foreign currency financial statements in accordance with the requirements of Accounting Standards Codification 830, "Foreign Currency Matters." Assets and liabilities are translated at current exchange rates, and related revenue and expenses are translated at average exchange rates in effect during the period. Resulting translation adjustments are recorded as a separate component in stockholders' equity. Foreign currency translation gains and losses are included in the statement of operations.

### Accounts Receivables

Accounts Receivable are shown at March 31, 2012 and December 31, 2011 net of Allowance for Doubtful Accounts in the amounts of \$76,715 and \$177,362. Our policy is to provide an allowance when an Account becomes greater than 90 days past due. An account is charged off when it is determined by management to be uncollectible.

### Inventories

Inventories are stated at the lower of cost or market determined by the average cost method. The Company provides inventory allowances based on estimates of obsolete inventories. Inventories consist of products available for sale to distributors and customers as well as raw material.

Components of inventories as of March 31, 2012 and December 31, 2011 are as follows:

	2012		2011	
Component parts	\$	0	\$	0
Finished goods		0		0
		0		0
Less: allowance for obsolete inventory		0		0
	\$	0	\$	0

### Property and Equipment

Property and equipment are stated at cost. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings. For financial statement purposes, property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives as follows:

Furniture and fixtures	7 years
Office equipment	3 to 5 years
Leasehold improvements	5 years
Manufacturing equipment	3 years

Depreciation expense totaled \$1,391 and \$3,395 for the quarters ended March 31, 2012 and 2011, respectively.

## Research and Development

The Company accounts for research and development costs in accordance with the Financial Accounting Standards Board's Accounting Standards Codification 730 "Research and Development". Under ASC 730, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. The Company expenditures were \$28,069 and \$50,817 on research and product development for the year ended December 31, 2011 and 2010, respectively.

## Reclassification

Certain reclassifications have been made in prior years' financial statements to conform to classifications used in the current year.

## Impairment of long lived assets

The Company has adopted Accounting Standards Codification 360 "Property, Plant and Equipment". The Statement requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company evaluates the recoverability of long-lived assets based upon forecasted undercounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. ASC 360 also requires assets to be disposed of be reported at the lower of the carrying amount or the fair value less costs to sell.

## Fair Values

On January 1, 2008, the Company adopted Accounting Standards Codification 820, "Fair Value Measurements and Disclosures". ASC 820 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. The effective date for ASC 820 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) was the first quarter of 2009. The adoption of ASC 820 did not have a material impact on the Company's financial position or operations.

## Concentrations of Credit Risk

Financial instruments and related items which potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and trade receivables. The Company places its cash and temporary cash investments with credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit. The Company periodically reviews its trade receivables in determining its allowance for doubtful accounts. At December 31, 2011 and 2010, allowance for doubtful receivable was \$252 and \$2,342, respectively.

## Stock-Based Compensation

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification 718 "Compensation - Stock Compensation". ASC 718 supersedes APB opinion No. 25, "Accounting for Stock Issued to Employees", and amends ASC 95, "Statement of Cash Flows". ASC 718 requires all share-based payments to employees,

including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro-forma disclosure is no longer an alternative. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in ASC 718. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." On April 14, 2005, the SEC amended the effective date of the provisions of this statement. The effect of this amendment by the SEC is that the Company had to comply with ASC 718 and use the Fair Value based method of accounting no later than the first quarter of 2006. The Company implemented ASC 718 on January 1, 2006 using the modified prospective method. The fair value of each option grant issued after January 1, 2006 was determined as of grant date, utilizing the Black-Scholes option pricing model. The amortization of each option grant will be over the remainder of the vesting period of each option grant.

In prior years, the Company applied the intrinsic-value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for the issuance of stock options to employees and accordingly compensation expense related to employees' stock options were recognized in the prior year financial statements to the extent options granted under stock incentive plans had an exercise price less than the market value of the underlying common stock on the date of grant.

### Segment reporting

The Company follows Accounting Standards Codification 280 "Segment Reporting". The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

### Income taxes

The Company follows Accounting Standards Codification 740 "Income Taxes" for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability during each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change. Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

At December 31, 2011, the Company has available for federal income tax purposes a net operating loss carry forward of approximately \$22,800,000, expiring and different stages through the year 2029, that may be used to offset future taxable income. The Company has provided a valuation reserve against the full amount of the net operating loss benefit, since in the opinion of management based upon the earnings history of the Company; it is more likely than not that the benefits will not be realized. Due to significant changes in the Company's ownership, the future use of its existing net operating losses may be limited.

### Income taxes (continued)

Non-current:			
Net operating loss carry forward		\$	22,800,000
Valuation allowance			(22,800,000)
Net deferred tax asset		\$	0

## Patents

The Company acquired in December 2006, for \$2,294,000, and January 2007, for \$1,387,000, patents in conjunction with the acquisitions of SPE Technologies, Inc. and Hybrid Lighting Technologies, Inc., respectively. The patents have an estimated useful life of 7 years. Accordingly, the Company recorded an amortization charge to current period earnings of \$186,243 and \$186,243 for the years ended December 31, 2009 and 2008, respectively. During the year 2009, the Company determined that the value of future revenue streams was not quantifiable sufficient to support the book value of the patents. Accordingly, the Company recorded an impairment expense in the amount of \$744,974, thereby eliminating the value of the Patent asset. Patents are comprised of the following as of March 31, 2012:

Description	Cost	Accumulated amortization and impairments	Net carrying value at March 31, 2012
Development costs	\$ 293,750	\$ 293,750	\$ -0-
Patents	2,294,224	2,294,224	-0-
Patents	1,387,000	1,387,000	-0-
Total	\$ 3,974,974	\$ 3,974,974	\$ -0-

## Comprehensive Income (Loss)

The Company adopted Accounting Standards Codification 220 "Comprehensive Income". ASC 220 establishes standards for the reporting and displaying of comprehensive income and its components. Comprehensive income is defined as the change in equity of a business during a period from transactions and other events and circumstances from non-owners sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. ASC 220 requires other comprehensive income (loss) to include foreign currency translation adjustments and unrealized gains and losses on available for sale securities.

## Liquidity

As shown in the accompanying consolidated financial statements, the Company recorded net income from operations of \$135,032 for the quarter ended March 31, 2012. The Company's current liabilities exceeded its current assets by \$13,889,703 as of March 31, 2012.

## Recent Accounting Pronouncements

Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105-10, *Generally Accepted Accounting Principles – Overall* (ASC 105-10). ASC 105-10 establishes the *FASB Accounting Standards Codification* (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the

bases for conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

Effective January 1, 2008, the Company adopted FASB ASC 820-10, *Fair Value Measurements and Disclosures – Overall* (ASC 820-10) with respect to its financial assets and liabilities. In February 2008, the FASB issued updated guidance related to fair value measurements, which is included in the Codification in ASC 820-10-55, *Fair Value Measurements and Disclosures – Overall – Implementation Guidance and Illustrations*. The updated guidance provided a one year deferral of the effective date of ASC 820-10 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company adopted the provisions of ASC 820-10 for non-financial assets and non-financial liabilities effective January 1, 2009, and such adoption did not have a material impact on the Company's consolidated results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 820-10-65, *Fair Value Measurements and Disclosures – Overall – Transition and Open Effective Date Information* (ASC 820-10-65). ASC 820-10-65 provides additional guidance for estimating fair value in accordance with ASC 820-10 when the volume and level of activity for an asset or liability have significantly decreased. ASC 820-10-65 also includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of ASC 820-10-65 did not have an impact on the Company's consolidated results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 825-10-65, *Financial Instruments – Overall – Transition and Open Effective Date Information* (ASC 825-10-65). ASC 825-10-65 amends ASC 825-10 to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements and also amends ASC 270-10 to require those disclosures in all interim financial statements. The adoption of ASC 825-10-65 did not have a material impact on the Company's consolidated results of operations or financial condition.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, which is included in ASC Topic 855, *Subsequent Events*. ASC Topic 855 established principles and requirements for evaluating and reporting subsequent events and distinguishes which subsequent events should be recognized in the financial statements versus which subsequent events should be disclosed in the financial statements. ASC Topic 855 also required disclosure of the date through which subsequent events are evaluated by management. ASC Topic 855 was effective for interim periods ending after June 15, 2009 and applies prospectively. Because ASC Topic 855 impacted the disclosure requirements, and not the accounting treatment for subsequent events, the adoption of ASC Topic 855 did not impact our results of operations or financial condition. See Note J for disclosures regarding our subsequent events.

Effective July 1, 2009, the Company adopted FASB ASU No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820)* (ASU 2009-05). ASU 2009-05 provided amendments to ASC 820-10, *Fair Value Measurements and Disclosures – Overall*, for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain techniques. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of a liability. ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. Adoption of ASU 2009-05 did not have a material impact on the Company's consolidated results of operations or financial condition.

In October 2009, the FASB issued ASU 2009-13, *Multiple-Deliverable Revenue Arrangements*, (amendments to FASB ASC Topic 605, *Revenue Recognition*) (ASU 2009-13) and ASU 2009-14, *Certain Arrangements That Include Software Elements*, (amendments to FASB ASC Topic 985, *Software*) (ASU 2009-14). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-14 removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-13 and ASU 2009-14 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June

15, 2010, with early adoption permitted. The Company does not expect adoption of ASU 2009-13 or ASU 2009-14 to have a material impact on the Company's consolidated results of operations or financial condition.

## NOTE B - PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment at March 31, 2012 and December 31, 2011 are as follows:

	2012		2011	
Furniture and fixtures	\$	24,819	\$	24,819
Office and computer equipment		45,823		45,823
Leasehold improvements		21,989		21,989
Manufacturing equipment		0		0
		92,631		92,631
Less: accumulated depreciation		(88,728 )		(87,337 )
	\$	3,903	\$	5,294

During the quarters ended March 31, 2012 and 2011, depreciation expense charged to operations was \$1,391 and \$3,395, respectively.

## NOTE C- ACCOUNTS PAYABLE AND LIABILITIES

Accounts payable and accrued liabilities at March 31, 2012 and December 31, 2011 are as follows:

	2012		2011	
Accounts payable	\$	1,863,182	\$	2,154,888
Accrued interest and liquidation damages (see Note D below)		503,060		466,559
Accrued payroll and payroll taxes		1,941,051		1,741,186
Other accrued liabilities		0		0
Total	\$	4,307,293	\$	4,362,633

## NOTE D - WARRANT PAYABLE

The Company completed an equity financing with St. George Investments, LLC (SGI), an Illinois limited liability company, on March 21, 2008 for \$1,500,000. The equity financing is structured as a 25% discount to market Warrant transaction that provides \$500,000 in capital at closing, followed by four tranches of \$250,000 each. Each \$250,000 tranche is staggered at 60-day intervals commencing in six months on September 22, 2008, which is the date that shares are salable pursuant to Rule 144 upon exercise of the Warrant. The Company issued 7,500,000 shares of Common Stock to SGI in order to induce the SGI to purchase the \$1,500,000 Warrant. In addition, 6,763,300 additional shares of Common Stock were issued as Performance Stock in the name of SGI to remain in their original certificated form and remain in escrow with the law firm of Anslow & Jaclin, LLP acting as escrow agent. As a provision of the Warrant Purchase Agreement, we pledged 35,736,700 shares of "Pledge Stock" to be held in escrow as a potential remedy in the event of the occurrence of certain identified "trigger events". On June 23<sup>rd</sup>, 2008, one trigger event, the closing price of our stock, went below the identified market price of \$0.012 per share, triggering the release from escrow of the 6,763,300 shares of Performance Stock and the 35,736,700 shares of "Pledge Stock". This trigger event, as defined in the Warrant Purchase Agreement, also increased the Warrant Account by 25% of the balance, or \$375,000, in exchange for the elimination of the 25% discount to market. As of March 31, 2012 the remaining Warrant Liability balance was \$273,595.



## **NOTE E - STOCKHOLDER'S EQUITY**

### **Series A - Convertible Preferred stock**

The Company has also authorized 100,000,000 shares of Preferred Stock, with a par value of \$.001 per share.

On December 31, 2003, the Company filed a Certificate of Designation creating a Series A Convertible Preferred Stock classification for 200 shares.

The Series A Preferred stated conversion price of \$.10 per shares is subject to certain anti-dilution provisions in the event the Company issues shares of its common stock or common stock equivalents below the stated conversion price. Changes to the conversion price are charged to operations and included in unrealized gain (loss) relating to adjustment of derivative and warrant liability to fair value of underlying securities.

In the year ended December 31, 2008, 1 of the Series A Preferred shareholders exercised the conversion right and exchanged 2 shares of Series A Preferred for 100,000 shares of the Company's common stock

The holders of the Series A Preferred shall have the right to vote, separately as a single class, at a meeting of the holders of the Series A Preferred or by such holders' written consent or at any annual or special meeting of the stockholders of the Corporation on any of the following matters: (i) the creation, authorization, or issuance of any class or series of shares ranking on a parity with or senior to the Series A Preferred with respect to dividends or upon the liquidation, dissolution, or winding up of the Corporation, and (ii) any agreement or other corporate action which would adversely affect the powers, rights, or preferences of the holders of the Series A Preferred.

The holders of record of the Series A Preferred shall be entitled to receive cumulative dividends at the rate of twelve percent per annum (12%) on the face value (\$5,000 per share) when, if and as declared by the Board of Directors, if ever. All dividends, when paid, shall be payable in cash, or at the option of the Company, in shares of the Company's common stock. Dividends on shares of the Series A Preferred that have not been redeemed shall be payable quarterly in arrears, when, if and as declared by the Board of Directors, if ever, on a semi-annual basis. No dividend or distribution other than a dividend or distribution paid in Common Stock or in any other junior stock shall be declared or paid or set aside for payment on the Common Stock or on any other junior stock unless full cumulative dividends on all outstanding shares of the Series A Preferred shall have been declared and paid. These dividends are not recorded until declared by the Company. As of the year ended December 31, 2009, \$0 in dividends was accumulated.

Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, and after payment of any senior liquidation preferences of any series of Preferred Stock and before any distribution or payment is made with respect to any Common Stock, holders of each share of the Series A Preferred shall be entitled to be paid an amount equal in the greater of (a) the face value denominated thereon subject to adjustment for stock splits, stock dividends, reorganizations, reclassification or other similar events (the "Adjusted Face Value") plus, in the case of each share, an amount equal to all dividends accrued or declared but unpaid thereon, computed to the date payment thereof is made available, or (b) such amount per share of the Series A Preferred immediately prior to such liquidation, dissolution or winding up, or (c) the liquidation preference of \$5,000.00 per share, and the holders of the Series A Preferred shall not be entitled to any further payment, such amount payable with respect to the Series A Preferred being sometimes referred to as the "Liquidation Payments."

Because the Series A Shares include a redemption feature that is outside of the control of the Company and the stated conversion price is subject to reset, the Company has classified the Series A Shares outside of stockholders' equity. The fair value at date of issuance was recorded outside of stockholders' equity in the accompanying balance sheet. Dividends on the Series A Shares are reflected as a reduction of net income (loss) attributable to common stockholders.

In connection with the issuance of the Series A Preferred and related warrants, the holders were granted certain registration rights in which the Company agreed to timely file a registration statement to register the common shares and the shares underlying the warrants, obtain effectiveness of the registration statement by the SEC within ninety-five (95) days of December 31, 2003, and maintain the effectiveness of this registration statement for a preset time thereafter. In the event the Company fails to timely perform under the registration rights agreement, the Company agrees to pay the holders

of the Series A Preferred liquidated damages in an amount equal to 1.5% of the aggregate amount invested by the holders for each 30-day period or pro rata for any portion thereof following the date by which the registration statement should have been effective. The initial registration statement was filed and declared effective by the SEC within the allowed time; however the Company has not maintained the effectiveness of the registration statement to date. Accordingly, the Company issued 203,867 shares of common stock as liquidated damages on December 10, 2004. The Company has not been required to pay any further liquidated damages in connection with the filing or on-going effectiveness of the registration statement.

### **Series B - Convertible Preferred stock**

On February 19, 2004, the Company filed a Certificate of Designation creating a Series B Convertible Preferred Stock classification for 800,000 shares, increased subsequently to 3,650,000 in 2007.

In January, 2009, April 2009, and December 2009 the Company issued 1,000,000, 3,850,000 and 16,500,000 shares, respectively of its Series B Preferred as a decision by the Board of Directors in order to retain superior voting rights. In connection with the transaction, the Company recorded a beneficial conversion discount of \$800,000 - preferred dividend relating to the issuance of the convertible preferred stock in 2004. In April, 2010 and October, 2010 the Company issued 25,000,000 and 50,000,000 shares respectively of its Series B Preferred as a decision by the Board of Directors in order to retain superior voting rights. None of the Series B Preferred shareholders have exercised their conversion right and there are 100,000,000 shares of Series B Preferred shares issued and outstanding at December 31, 2010.

The holders of the Series B Preferred shall have the right to vote, separately as a single class, at a meeting of the holders of the Series B Preferred or by such holders' written consent or at any annual or special meeting of the stockholders of the Corporation on any of the following matters: (i) the creation, authorization, or issuance of any class or series of shares ranking on a parity with or senior to the Series B Preferred with respect to dividends or upon the liquidation, dissolution, or winding up of the Corporation, and (ii) any agreement or other corporate action which would adversely affect the powers, rights, or preferences of the holders of the Series B Preferred.

The holders of record of the Series B Preferred shall be entitled to receive cumulative dividends at the rate of twelve percent per annum (12%) on the face value (\$1.00 per share) when, if and as declared by the Board of Directors, if ever. All dividends, when paid, shall be payable in cash, or at the option of the Company, in shares of the company's common stock. Dividends on shares of the Series B Preferred that have not been redeemed shall be payable quarterly in arrears, when, if and as declared by the Board of Directors, if ever, on a semi-annual basis. No dividend or distribution other than a dividend or distribution paid in Common Stock or in any other junior stock shall be declared or paid or set aside for payment on the Common Stock or on any other junior stock unless full cumulative dividends on all outstanding shares of the Series B Preferred shall have been declared and paid. These dividends are not recorded until declared by the Company. As of March 31, 2012, \$792,000 in dividends were accumulated.

Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, and after payment of any senior liquidation preferences of any series of Preferred Stock and before any distribution or payment is made with respect to any Common Stock, holders of each share of the Series B Preferred shall be entitled to be paid an amount equal in the greater of (a) the face value denominated thereon subject to adjustment for stock splits, stock dividends, reorganizations, reclassification or other similar events (the "Adjusted Face Value") plus, in the case of each share, an amount equal to all dividends accrued or declared but unpaid thereon, computed to the date payment thereof is made available, or (b) such amount per share of the Series B Preferred immediately prior to such liquidation, dissolution or winding up, or (c) the liquidation preference of \$1.00 per share, and the holders of the Series B Preferred shall not be entitled to any further payment, such amount payable with respect to the Series B Preferred being sometimes referred to as the "Liquidation Payments."

### **Series C - Convertible Preferred stock**

On November 13, 2006, the Company filed a Certificate of Designation creating a Series C Convertible Preferred Stock classification for 100,000 shares. This was subsequently amended on January 11, 2007 to 700,000 shares.

In December 2006, the Company issued 100,000 shares of its Series C Preferred stock in conjunction with the acquisition of SPE Technologies, Inc. The shares of the Series C Preferred are non-voting and convertible, at the option of the holder, into common shares one year from issuance. The number of common shares to be issued per Series C share is adjusted based on the average closing bid price of the previous ten days prior to the date of conversion based on divided into \$25.20. The shares issued were valued at \$25.20 per share, which represented the fair value of the common stock the shares are convertible into. None of the Series C Preferred shareholders have exercised their conversion right and there are 100,000 shares of Series C Preferred shares issued and outstanding at September 30, 2008.

The holders of record of the Series C Preferred shall be entitled to receive cumulative dividends at the rate of five percent per annum (5%), compounded quarterly, on the face value (\$25.00 per share) when, if and as declared by the Board of Directors, if ever. All dividends, when paid, shall be payable in cash, or at the option of the Company, in shares of the Company's common stock. Dividends on shares of the Series C Preferred that have not been redeemed shall be payable quarterly in arrears, when, if and as declared by the Board of Directors, if ever, at the time of conversion. These dividends are not recorded until declared by the Company. As of March 31, 2012 \$-0- in dividends were accumulated.

### **Common stock**

The Company has authorized 20,000,000,000 shares of common stock, with a par value of \$.001 per share. At July 28, 2010 the Board of Directors approved a motion to authorize a reverse split of the outstanding stock of 200:1. As of March 31, 2012 and December 31, 2011, the Company has 1,018,375,578 and 863,875,578 shares issued and outstanding, respectively.

On April 1, 2010, 4,000,000 shares of our common stock were donated to the treasury by W. Scott Elliott. The Company valued the shares donated at \$4,800, which approximated the fair value of the shares issued at the date of return.

On April 5, 2010, we issued 297,127,010 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$59,425, which approximated the fair value of the shares issued at the date of issuance.

On April 7, 2010, we issued 850,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$51,000, which approximated the fair value of the shares issued at the date of issuance.

On April 12, 2010, we issued 291,026,774 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$58,205, which approximated the fair value of the shares issued at the date of issuance.

On April 14, 2010, we received \$17,500 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 370,000,000 shares of our common stock.

On April 14, 2010, we received \$17,500 from War Chest LLC. In conjunction with debt purchase agreement, we issued at total of 370,000,000 shares of our common stock.

On April 19, 2010, we issued 354,022,327 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$70,804, which approximated the fair value of the shares issued at the date of issuance.

On April 21, 2010, we issued 750,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$45,000, which approximated the fair value of the shares issued at the date of issuance.

On April 26, 2010, we issued 445,850,619 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$44,585, which approximated the fair value of the shares issued at the date of issuance.

On May 3, 2010, we issued 100,000,000 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$10,000, which approximated the fair value of the shares issued at the date of issuance.

On May 10, 2010, we issued 100,000,000 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$10,000, which approximated the fair value of the shares issued at the date of issuance.

On June 1, 2010, 17,000,000 shares of our common stock were returned to the treasury by Richard Brown. The Company valued the shares at \$8,500, which approximated the fair value of the shares issued at the date of return.

On June 8, 2010, we received \$17,500 from Barclay Lyons, LLC. In conjunction with debt purchase agreement, we issued at total of 500,000,000 shares of our common stock.

On June 8, 2010, we received \$17,500 from War Chest LLC. In conjunction with debt purchase agreement, we issued at total of 500,000,000 shares of our common stock.

On August 2, 2010, we issued 4,221,241 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$16,885, which approximated the fair value of the shares issued at the date of issuance.

On August 3, 2010, we issued 7,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$21,140, which approximated the fair value of the shares issued at the date of issuance.

On August 9, 2010, we issued 4,781,181 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$162,560, which approximated the fair value of the shares issued at the date of issuance.

On August 18, 2010, we issued 5,019,782 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$51,202, which approximated the fair value of the shares issued at the date of issuance.

On August 31, 2010, we issued 4,630,487 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$46,305, which approximated the fair value of the shares issued at the date of issuance.

On September 13, 2010, we issued 5,501,331 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$67,116, which approximated the fair value of the shares issued at the date of issuance.

On September 27, 2010, we issued 5,775,847 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$34,078, which approximated the fair value of the shares issued at the date of issuance.

On October 6, 2010, we issued 297,518 shares of our common stock to various employees as compensation. The Company valued the shares issued at \$1,488, which approximated the fair value of the shares issued at the date of issuance.

On October 12, 2010, we issued 6,078,908 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$35,258, which approximated the fair value of the shares issued at the date of issuance.

On October 25, 2010, we issued 6,382,245 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$29,358, which approximated the fair value of the shares issued at the date of issuance.

On November 16, 2010, we issued 6,700,720 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$32,834, which approximated the fair value of the shares issued at the date of issuance.

On December 3, 2010, we issued 7,035,112 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$22,512, which approximated the fair value of the shares issued at the date of issuance.

On December 14, 2010, we issued 7,386,138 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$16,250, which approximated the fair value of the shares issued at the date of issuance.

On December 23, 2010, we issued 7,754,706 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$12,408, which approximated the fair value of the shares issued at the date of issuance.

On January 6, 2011, we issued 8,141,666 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$15,469, which approximated the fair value of the shares issued at the date of issuance.

On January 7, 2011, we issued 13,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$11,960, which approximated the fair value of the shares issued at the date of issuance.

On January 19, 2011, we issued 9,196,635 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$26,670, which approximated the fair value of the shares issued at the date of issuance.

On January 26, 2011, we issued 16,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$15,360, which approximated the fair value of the shares issued at the date of issuance.

On February 3, 2011, we issued 10,453,946 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$17,772, which approximated the fair value of the shares issued at the date of issuance.

On February 4, 2011, we issued 19,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$33,440, which approximated the fair value of the shares issued at the date of issuance.

On February 14, 2011, we issued 11,923,699 shares of our common stock to AJW NIR in conjunction with a debt settlement agreement. The Company valued the shares issued at \$14,308, which approximated the fair value of the shares issued at the date of issuance.

On February 16, 2011, we issued 21,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$16,380, which approximated the fair value of the shares issued at the date of issuance.

On March 2, 2011, we issued 27,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$14,580, which approximated the fair value of the

shares issued at the date of issuance.

On March 16, 2011, we issued 29,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$11,600, which approximated the fair value of the shares issued at the date of issuance.

On April 4, 2011, we issued 32,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$11,520, which approximated the fair value of the shares issued at the date of issuance.

On April 19, 2011, we issued 36,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$12,960, which approximated the fair value of the shares issued at the date of issuance.

On May 4, 2011, we issued 37,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$10,360, which approximated the fair value of the shares issued at the date of issuance.

On May 19, 2011, we issued 85,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$10,200, which approximated the fair value of the shares issued at the date of issuance.

On May 26, 2011, we issued 48,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$3,840, which approximated the fair value of the shares issued at the date of issuance.

On June 3, 2011, we issued 60,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$3,600, which approximated the fair value of the shares issued at the date of issuance.

On June 9, 2011, we issued 58,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$3,480, which approximated the fair value of the shares issued at the date of issuance.

On July 22, 2011, we issued 65,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$3,900, which approximated the fair value of the shares issued at the date of issuance.

On September 13, 2011, we issued 75,000,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$4,500, which approximated the fair value of the shares issued at the date of issuance.

On March 14, 2012, we issued 154,500,000 shares of our common stock to St. George Investments, LLC, in conjunction with the sale of a warrant. The Company valued the shares issued at \$9,270, which approximated the fair value of the shares issued at the date of issuance.

## NOTE F - RELATED PARTY TRANSACTIONS

From time to time, the Company's principal officers have advanced funds to the Company for working capital purposes in the form of unsecured promissory notes, accruing interest at 10% to 12% per annum.

### Loans from Officers

<u>Officer</u>	<u>Principal Due</u>	<u>Interest Rate</u>	<u>Accrued Interest at 3/31/12</u>
David Downing	\$ 193,656	12%	\$ 53,329
Alan Ninneman	\$ 91,240	12%	\$ 93,916
John Ringo	\$ -0-	12%	\$ 52,935
	<u>\$ 284,896</u>		<u>\$ 200,180</u>

### Deferred Compensation

<u>Officer</u>	<u>Principal Due</u>	<u>Interest Rate</u>	<u>Accrued Interest at 12/31/11</u>
David Downing	\$ 44,000	10%	\$ 8,883
Alan Ninneman	\$ 108,000	10%	\$ 27,917
Mark Schmidt	\$ 195,000	10%	\$ 26,325
John Ringo	\$ 105,207	10%	\$ 27,917
Don Evans	\$ 47,780	10%	\$ 33,867
All Others	<u>\$ 154,500</u>	10%	<u>\$ 58,471</u>
	<u>\$ 654,487</u>		<u>\$ 183,380</u>

## NOTE G - COMMITMENTS AND CONTINGENCIES

### Consulting Agreements

The Company has consulting agreements with outside contractors, certain of whom are also Company stockholders. The Agreements are generally for a term of 12 months from inception and renewable automatically from year to year unless either the Company or Consultant terminates such engagement by written notice.

### Operating Lease Commitments

The Company leases office space in Durham, NC on a month-to-month lease of \$1,350 for an annualized rent payment of \$16,200.

### Litigation

The Company is subject to other legal proceedings and claims, which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters should not have a material adverse effect on its consolidated financial position, results of operations or liquidity. There was no outstanding litigation as of March 31, 2012.

## NOTE H - FAIR VALUES

Accounting Standards Codification 820 "Fair Value Measurements and Disclosures" defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to

be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

Items recorded or measured at fair value on a recurring basis in the accompanying financial statements consisted of the following items as of March 31, 2012:

	Quoted Prices in Active Markets for Identical Instrumen ts <u>Total</u>	Significan t Other Observabl e Inputs Level 2	Significant Unobservab le Inputs Level 3
<b>Liabilities:</b>			
Derivative liability	\$ 0		\$ 0)
Warrant payable	(273,595)		(273,595)
Warrant liability	0)		0)
Total	<u>\$(273,595)</u>		<u>\$ (273,595)</u>

With the exception of assets and liabilities included within the scope of Accounting Standards Codification 820 "Fair Value Measurements and Disclosures", the Company adopted the provisions of ASC 820 prospectively effective as of the beginning of Fiscal 2008. For financial assets and liabilities included within the scope of ASC 820, the Company will be required to adopt the provisions of ASC 820 prospectively as of the beginning of Fiscal 2009. The adoption of ASC 820 did not have a material impact on our financial position or results of operations and the Company do not believe that the adoption of ASC 820 will have a material impact on our financial position or results of operations.

## NOTE I - GOING CONCERN MATTERS

The accompanying statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying consolidated financial statements, as of March 31, 2012, the Company incurred accumulated losses of \$35,938,854. The Company's current



liabilities exceeded its current assets by \$13,889,703 as of March 31, 2012. These factors among others may indicate that the Company will be unable to continue as a going concern for a reasonable period of time.

The Company is actively pursuing additional business growth in order to increase the associated cash flow from operations. There can be no assurance the Company will be successful in its effort to secure additional business.

If operations and cash flows continue to improve through these efforts, Management believes that the Company can continue to operate. However, no assurance can be given that Management's actions will result in profitable operations or the resolution of its liquidity problems.

## **NOTE J - SUBSEQUENT EVENTS**

Management has determined that no significant subsequent events occurred since the balance sheet date.

## **NOTE K - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **NOTE L - CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

The Company's management, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Disclosure controls and procedures mean our controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit is recorded, processed, summarized and reported within the time periods required. Disclosure controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Our quarterly evaluation of disclosure controls and procedures includes an evaluation of some components of our internal control over financial reporting, and internal control over financial reporting is also separately evaluated on an annual basis for purposes of providing the management report that is set forth below. At the same time our disclosure controls and procedures can identify weaknesses in our financial reporting and control systems that require remediated action.

The evaluation conducted included the design, as well as the implementation, of the disclosure controls and procedures, and how the output produced was used in the preparation of this Annual Report. In the course of performing this evaluation, particular attention was paid to identifying past, present and potential occurrences of data errors, problems of control, and the potential for fraud.

Our Chief Executive Officer and Chief Financial Officer have concluded, based on the evaluation of the effectiveness of the disclosure controls and procedures by our management, that as of March 31, 2012 our disclosure controls and procedures were effective.

### *Management's Report on Internal Control over Financial Reporting*

Our management is responsible for the establishment and maintenance of an adequate system of internal controls over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officers, and affected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

- 1.) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets.
- 2.) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the board of directors.
- 3.) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Our evaluation addressed every activity performed within the Company including, but not limited to, the collection, recording, storing, control and reporting of financial data.

Because of their inherent limitations, any system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be come inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2011, based on the framework defined in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

#### *Limitations on Effectiveness of Controls and Procedures*

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of the controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the reality that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may be come inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

#### **NOTE M - OTHER INFORMATION**

None.

#### **Item 13. Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.**

The fiscal year-end financial statements for 2011, 2010 and 2009, including the Consolidated Balance Sheet, Statement of Operations, Statement of Cash Flows, Changes in Shareholder Equity and Financial Statement Footnotes, are posted for Cyberlux Corporation on Corporation on the OTC Disclosure and News Service.

#### **Item 14. Beneficial Owners.**

The following entities own five percent (5%) or more of the shares of the Company's Common Stock:

None.

#### **Item 15. The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure:**

1. Investment Banker

The Company has not engaged an investment banker at this time.

2. Promoters

The Company has not engaged a promoter.

3. Counsel

John W Ringo Attorney at Law  
923 Franklin Street  
Durham, NC 27701

4. Public Relations Consultant(s)

The Company has not engaged a public relations consultant at this time.

5. Investor Relations Consultant

The Company has not engaged an investor relations consultant at this time.

6. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

None.

#### **Item 16. Management's Discussion and Analysis or Plan of Operation.**

A. Plan of Operation.

**Please refer to Item 9A.**

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

Three months ended March 31, -2012 compared to the three months ended March 31, 2011

REVENUES

Revenues for the three months ended March 31, 2012 were \$532,385 as compared to \$1,530,144 for the same period last year. The decrease in revenue was attributed to a delay in requirements purchases of our BrightEye products into the DoD/military markets, specifically the National Guard.

### OPERATING EXPENSES

Operating expenses for the three months ended March 31, 2012 were \$129,194 as compared to \$804,102 for the same period ended March 31, 2011. Included in the three months ended March 31, 2011 were \$444,565 in expenses for sales commissions and salaries. This compares to \$5,650 for the three months ended March 31, 2012. Office rent for the three months ended March 31, 2012 was \$6,905 and compares to \$45,705 for the same period ended March 31, 2011. Expenses for consulting and professional services were \$17,300 for the quarter ended March 31, 2012, compared to \$84,300 for the same period last year.

As a result of limited capital resources and minimal revenues from operations from its inception, we have relied on the issuance of equity securities to non-employees in exchange for services. Our management enters into equity compensation agreements with non-employees if it is in our best interest under terms and conditions consistent with the requirements of Accounting Standards Codification subtopic 718-10, Compensation (ASC 718-10). In order to conserve our limited operating capital resources, we anticipate continuing to compensate non-employees for services during the next twelve months. This policy may have a material effect on our results of operations during the next twelve months.

### LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2012, we had a working capital deficit of \$13,889,703. This compares to a working capital deficit of \$14,035,395 as of December 31, 2011. Accrued liabilities were \$2,444,112 at March 31, 2012 compared to accrued liabilities of \$2,207,745 as of December 31, 2011. Accounts payable as of March 31, 2012 were \$1,863,182 and compares to \$2,154,888 as of December 31, 2011. As a result of our income from operations for the three months ended March 31, 2012, we generated a cash flow \$702 from operating activities. Cash flows provided by investing activities was \$-0- for the three months ended March 31, 2012. Cash flows from financing activities produced a deficit of \$2,039 for the three months ended March 31, 2012.

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. By adjusting our operations and development to the level of capitalization, we believe we have 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.

Our independent certified public accountant has stated in their report included in our December 31, 2009, Form 10-K that we have incurred operating losses in the last two years, and that we are dependent upon management's ability to develop profitable operations. These factors among others may raise substantial doubt about our ability to continue as a going concern.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. A summary of the critical accounting policies and the judgments that we make in the application of those policies is presented in Note 1 to our consolidated financial statements.

Our consolidated financial statements are based on the selection of accounting policies and the application of accounting estimates, some of which require management to make significant assumptions. Actual results could

differ materially from the estimated amounts. The following accounting policy is critical to understanding and evaluating our reported financial results:

#### *Revenue Recognition*

We recognize revenue in accordance with Accounting Standards Codification subtopic 605-10, Revenue Recognition (ASC 605-10) which requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

ASC 605-10 incorporates Accounting Standards Codification subtopic 605-25, Multiple-Element Arrangements (ASC 605-25). ASC 605-25 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing 605-25 on the Company's financial position and results of operations was not significant.

#### *Accounting for Stock-Based Compensation*

We account for our stock options and warrants using the fair value method promulgated by Accounting Standards Codification subtopic 480-10, Distinguishing Liabilities from Equity (ASC 480-10) which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services. Therefore, our results include non-cash compensation expense as a result of the issuance of stock options and warrants and we expect to record additional non-cash compensation expense in the future.

We account for our stock options and warrants using the fair value method promulgated by Accounting Standards Codification subtopic 718-10, Compensation (ASC 718-10) which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. This statement does not change the accounting guidance for share based payment transactions with parties other than employees.

#### *Financial Instruments Measured at Fair Value*

Accounting Standards Codification subtopic 825-10, Financial Instruments (ASC 825-10) defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we considered the principal or most advantageous market in which we would transact and considered assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

Level 1- Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

We adopted the provisions of ASC 825-10 prospectively effective as of the beginning of Fiscal 2008 with certain additional provision adopted prospectively as of the beginning of Fiscal 2009. The adoption of ASC 825-10 did not have a material impact on our consolidated financial position or results of operations.

### **Non-GAAP Financial Measures**

The financial statements appearing in this annual report do not contain any financial measures which are not in accordance with generally accepted accounting procedures.

#### *Inflation*

In the opinion of management, inflation has not had a material effect on our financial condition or results of its operations.

#### *Climate Change*

Our opinion is that neither climate change, nor governmental regulations related to climate change, have had, or are expected to have, any material effect on our operations.

#### *Off-Balance Sheet Arrangements*

We do not maintain off-balance sheet arrangements nor do we participate in non-exchange traded contracts requiring fair value accounting treatment.

#### *Acquisition or Disposition of Plant and Equipment*

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

### **C. Off-Balance Sheet Arrangements**

None.

## **PART E: ISSUANCE HISTORY**

### **Item 17. List of securities offerings and shares issued for services in the past two years.**

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer (1) within the two-year period ending on the last day of the issuer's most recent fiscal year and (2) since the last day of the issuer's most recent fiscal year.

1. The nature of each offering;
2. Any jurisdictions where the offering was registered or qualified;
3. Number of shares offered, number of shares sold;
4. the price at which the shares were offered and the amount actually paid to the issuer;
5. Trading status of the Shares.
6. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on the transferability and sale of the shares under the Securities Act.

**Please refer to Item 12 NOTE E -STOCKHOLDER'S EQUITY for the list of share transactions.**

## **PART F: EXHIBITS**

### **Item 18. Material Contracts.**

None.

### **Item 19. Articles of Incorporation and Bylaws.**

Previously filed as Exhibits to our Annual Report for the period ended December 31, 2010 which was filed with OTC Markets on June 21, 2011

### **Item 20. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

None.

### **Item 21. Issuer's Certifications.**

I, Mark D Schmidt, certify that:



1. I have reviewed this quarterly disclosure statement of Cyberlux Corporation;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present, in all material respects, the financial condition, results of operations and cash flows of the issuer as of, and for the period presented in this disclosure statement.

Date: May 16, 2012

By: /s/ Mark D Schmidt  
Mark D Schmidt  
Chief Executive Officer (Principal  
Executive Officer)

I, David D Downing, certify that:

1. I have reviewed this quarterly disclosure statement of Cyberlux Corporation;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present, in all material respects, the financial condition, results of operations and cash flows of the issuer as of, and for the period presented in this disclosure statement.

Date: May 16, 2012

By: /s/ David D Downing  
David D Downing  
Chief Financial Officer (Principal  
Financial Officer and Principal  
Accounting Officer)