APPLIED DNA SCIENCES INC
Form 10-Q
August 11, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from to

Commission File Number: 001-36745

Applied DNA Sciences, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**59-2262718**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

50 Health Sciences Drive
Stony Brook, New York **11790**
(Address of principal executive offices) (Zip Code)

631-240-8800

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

x Yes ¨ No

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

¨ Yes x No

At August 5, 2016, the registrant had 24,078,636 shares of common stock outstanding.

Applied DNA Sciences, Inc.

Form 10-Q for the Quarter Ended June 30, 2016

Table of Contents

Part I - Financial Information

Item 1 - Financial Statements.

APPLIED DNA SCIENCES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2016 (unaudited)	September 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$7,086,773	$7,312,184
Accounts receivable, net of allowance of $22,387 and $7,140 at June 30, 2016 and September 30, 2015, respectively	4,792,308	3,929,517
Inventories	126,870	—
Prepaid expenses and other current assets	136,783	293,351
Total current assets	12,142,734	11,535,052
Property, plant and equipment, net of accumulated depreciation of $1,161,120 at June 30, 2016 and $852,867 at September 30, 2015	805,761	572,107
Other assets:		
Long term accounts receivables	360,000	1,500,000
Deposits	61,126	62,988
Goodwill	285,386	285,386
Intangible assets, net of accumulated amortization of $491,933 and $238,368 at June 30, 2016 and September 30, 2015, respectively	1,563,766	1,598,779
Total Assets	$15,218,773	$15,554,312
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$2,184,169	$2,385,006
Deferred revenue	848,782	282,050
Total current liabilities	3,032,951	2,667,056

Long term accounts payable	—	320,400
Total liabilities	3,032,951	2,987,456
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, par value $0.001 per share; 10,000,000 shares authorized; -0- shares issued and outstanding as of June 30, 2016 and September 30, 2015	—	—
Series A Preferred stock, par value $0.001 per share, 10,000,000 shares authorized; -0- issued and outstanding as of June 30, 2016 and September 30, 2015	—	—
Series B Preferred stock, par value $0.001 per share, 10,000,000 shares authorized; -0- issued and outstanding as of June 30, 2016 and September 30, 2015	—	—
Common stock, par value $0.001 per share; 500,000,000 shares authorized at June 30, 2016 and September 30, 2015; 24,078,636 and 21,504,578 shares issued and outstanding as of June 30, 2016 and September 30, 2015, respectively	24,079	21,505
Additional paid in capital	233,564,055	224,186,760
Accumulated deficit	(221,402,312)	(211,641,409)
Total stockholders' equity	12,185,822	12,566,856
Total Liabilities and Stockholders' Equity	$15,218,773	$15,554,312

See the accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Revenues	$652,896	$2,267,671	$2,550,332	$5,028,234
Cost of revenues	121,260	129,015	304,611	129,015
Operating expenses:				
Selling, general and administrative	2,707,420	3,222,692	8,616,246	10,323,809
Research and development	1,077,916	466,841	2,861,583	1,587,326
Depreciation and amortization	168,641	121,339	557,968	354,144
Total operating expenses	3,953,977	3,810,872	12,035,797	12,265,279
LOSS FROM OPERATIONS	(3,422,341)	(1,672,216)	(9,790,076)	(7,366,060)
Other income (expense):				
Interest income (expense), net	2,660	5,052	9,567	(26,807)
Other income (expense), net	52,670	(3,718)	19,606	(16,853)
Loss on conversion of promissory notes	—	—	—	(980,842)
Loss on change in fair value of warrant liability	—	—	—	(2,994,540)
Net loss before provision for income taxes	(3,367,011)	(1,670,882)	(9,760,903)	(11,385,102)
Provision for income taxes	—	—	—	—
NET LOSS	$(3,367,011)	$(1,670,882)	$(9,760,903)	$(11,385,102)
Net loss per share-basic and diluted	$(0.14)	$(0.08)	$(0.41)	$(0.63)
Weighted average shares outstanding- Basic and diluted	24,075,225	21,444,335	23,563,164	18,075,506

See the accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	$(9,760,903)	$(11,385,102)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	557,968	354,144
Stock-based compensation expense	1,444,170	3,531,205
Change in fair value of warrant liability	—	2,994,540
Loss on sale of property, plant and equipment	5,520	—
Loss on conversion of promissory notes	—	980,842
Common stock issued for consulting services	78,134	64,426
Provision for bad debts	106,247	21,750
Change in operating assets and liabilities:		
Accounts receivable	170,962	(1,275,189)
Inventories	(136,783)	—
Prepaid expenses and other current assets and deposits	107,343	(59,315)
Accounts payable and accrued liabilities	(589,705)	(75,515)
Deferred revenue	566,732	(378,499)
Net cash used in operating activities	(7,450,315)	(5,226,713)
Cash flows used in investing activities:		
Proceeds from sale of property, plant and equipment	5,500	—
Purchase of property, plant and equipment	(594,808)	(221,659)
Purchase of intangible assets	(43,353)	(238,082)
Net cash used in investing activities	(632,661)	(459,741)
Cash flows from financing activities:		
Net proceeds from sale of common stock and warrants	7,853,155	19,114,418
Proceeds from the exercise of warrants	4,410	—
Purchase and cancelation of previously issued warrants	—	(4,090,952)
Net cash provided by financing activities	7,857,565	15,023,466
Net (decrease) increase in cash and cash equivalents	(225,411)	9,337,012
Cash and cash equivalents at beginning of period	7,312,184	1,393,132

Cash and cash equivalents at end of period	$7,086,773	$10,730,144
Supplemental Disclosures of Cash Flow Information:		
Cash paid during period for interest	$—	$—
Cash paid during period for income taxes	$—	$—
Non-cash investing and financing activities:		
Common stock issued upon conversion of promissory notes payable	$—	$1,843,750
Offering costs incurred, and included in accounts payable and accrued liabilities	$—	$68,489
Property, plant and equipment acquired, and included in accounts payable	$—	$13,825
Intangible assets acquired, and included in accounts payable	$60,468	$29,296
Reclassification of deferred offering costs to additional paid in capital	$—	$181,104

See the accompanying notes to the unaudited condensed consolidated financial statements

APPLIED DNA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(unaudited)

NOTE A — SUMMARY OF ACCOUNTING POLICIES

General

The accompanying condensed consolidated financial statements as of June 30, 2016 and for the three and nine month periods ended June 30, 2016 and 2015 are unaudited. These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and are presented in accordance with the requirements of Rule S-X of the Securities and Exchange Commission (the "SEC") and with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete condensed consolidated financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended June 30, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2016. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the fiscal year ended September 30, 2015 and footnotes thereto included in the Annual Report on Form 10-K of Applied DNA Sciences, Inc. (the "Company") filed with the SEC on December 14, 2015.

The condensed consolidated balance sheet as of September 30, 2015 contained herein has been derived from the audited consolidated financial statements as of September 30, 2015, but does not include all disclosures required by GAAP.

Business and Basis of Presentation

The Company is a Delaware corporation, which was initially organized in 1983 under the laws of the State of Florida as Datalink Systems, Inc. In 1998, the Company reincorporated in the State of Nevada, and in 2002, the Company changed its name to its current name, Applied DNA Sciences, Inc. In December 2008, the Company reincorporated from Nevada to the State of Delaware. The Company is principally devoted to developing and marketing DNA-embedded biotechnology security solutions in the United States and Europe. To date, the Company has produced limited recurring revenues from its services and products; it has incurred expenses and has sustained losses. Consequently, its operations are subject to all the risks inherent in the establishment and development of a biotechnology company.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, APDN (B.V.I.) Inc. and Applied DNA Sciences Europe Limited, which currently have no operations or activity. Significant inter-company transactions and balances have been eliminated in consolidation. To facilitate comparison of information across periods, certain reclassifications have been made to prior year amounts to conform to the current year's presentation.

Inventories

Inventories, which consist primarily of raw materials, and finished goods, is stated at the lower of cost or market, with cost determined by using the first-in, first-out (FIFO) method.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) 605, Revenue Recognition (“ASC 605”). 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 and/or service has been performed; (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 or services provided and the collectability of those amounts. Provisions for 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, service has not been provided, or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered, the service has been provided, or no refund will be required. At June 30, 2016 and September 30, 2015, the Company recorded deferred revenue of $848,782 and $282,050, respectively.

APPLIED DNA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(unaudited)

NOTE A — SUMMARY OF ACCOUNTING POLICIES (continued)

Revenue Recognition, continued

Revenue arrangements with multiple components are divided into separate units of accounting if certain criteria are met, including whether the delivered component has stand-alone value to the customer. Consideration received is allocated among the separate units of accounting based on their respective selling prices. The selling price for each unit is based on vendor-specific objective evidence, or VSOE, if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE nor third party evidence is available. The applicable revenue recognition criteria are then applied to each of the units.

Revenue for government contract awards, which supports the Company's development efforts on specific projects, is recognized as milestones are achieved as per each contract. The Company recognized revenue of $210,219 and $993,266 from these contract awards during the three and nine month periods ended June 30, 2016, respectively and $657,708 and $1,919,031 for the three and nine month periods ended June 30, 2015, respectively.

The Company recognizes the revenue under its cotton customer contracts when the product has been shipped, as there is no right of return under these arrangements. The Company has evaluated the other indicators of gross and net revenue recognition, including whether or not the Company is the primary obligor and if it has general inventory risk. The Company does not have any general inventory risk and is not the primary obligor as it relates to the marketing portion of the cotton tagging fee. With respect to the Company's mutual license agreement with Himatsingka America Inc. (formerly known as Divatex Home Fashion, Inc.) ("Himatsingka"), the Company has carefully evaluated all of the key gross and net revenue recognition indicators and has concluded that the circumstances as they relate to Himatsingka's portion of the tagging fee are more consistent with those key indicators that support net revenue reporting. On June 29, 2016, Himatsingka waived its portion of the tagging fee for up to $250,000. In addition, the nature of some of the Company's cotton contracts includes extended payment terms that will result in a longer collection period and slower cash inflows. Under the Company's memorandum of understanding with Louis Dreyfus Commodities, as of June 30, 2016 and September 30, 2015 there was $4,263,400 and $2,893,400 included in short term accounts receivable, respectively. As of June 30, 2016 and September 30, 2015 there was $360,000 and

$1,500,000 included in long-term accounts receivable, respectively. Also, as of June 30, 2016 there was $400,000 included in deferred revenue for a shipment during the third fiscal quarter of 2016. The cotton ginning season in the United States takes place between September and December each year, therefore, revenues from these customer contracts may be seasonal.

Use of Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Loss Per Share

The Company presents loss per share utilizing a dual presentation of basic and diluted loss per share. Basic loss per share includes no dilution and has been calculated based upon the weighted average number of common shares outstanding during the period. Dilutive common stock equivalents consist of shares issuable upon the exercise of the Company’s stock options and warrants.

For the three and nine month periods ended June 30, 2016 and 2015, common stock equivalent shares are excluded from the computation of the diluted loss per share as their effect would be anti-dilutive.

APPLIED DNA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(unaudited)

NOTE A — SUMMARY OF ACCOUNTING POLICIES (continued)

Net Loss Per Share, continued

Securities that could potentially dilute basic net income per share in the future that were not included in the computation of diluted net loss per share because including those securities would have been anti-dilutive for the nine month periods ended June 30, 2016 and 2015 are as follows:

	2016	2015
Warrants	7,323,060	6,062,487
Employee options	4,414,865	3,456,989
	11,737,925	9,519,476

Stock-Based Compensation

The Company accounts for stock-based compensation for employees and directors in accordance with ASC 718, Compensation ("ASC 718"). ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Under the provisions of ASC 718, stock-based compensation costs are measured at the grant date, based on the fair value of the award, and are recognized as expense over the employee's requisite service period (generally the vesting period of the equity grant). The fair value of the Company's common stock options are estimated using the Black Scholes option-pricing model with the following assumptions: expected volatility, dividend rate, risk free interest rate and the expected life. The Company expenses stock-based compensation by using the straight-line method. In accordance with ASC 718, excess tax benefits realized from the exercise of stock-based awards are classified as cash flows from financing activities. The future realization of the reserved deferred tax assets related to these tax benefits associated with the exercise of stock options will result in a credit to additional paid in capital if the related tax deduction reduces taxes payable. The Company has elected the "with and without approach" regarding ordering of windfall tax benefits to determine whether

the windfall tax benefit did reduce taxes payable in the current year. Under this approach, the windfall tax benefit would be recognized in additional paid-in-capital only if an incremental tax benefit is realized after considering all other benefits presently available.

The Company accounts for stock-based compensation awards issued to non-employees for services, as prescribed by ASC 718-10, at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable, using the measurement date guidelines enumerated in ASC 505-50.

Concentrations

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 high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

The Company’s revenues earned from sale of products and services for the three and nine month periods ended June 30, 2016 included an aggregate of 77% and 63% from two customers, respectively. One customer accounted for 90% and 85% of the Company’s total accounts receivable at June 30, 2016 and September 30, 2015, respectively.

The Company’s revenues earned from sale of products and services for the three and nine month periods ended June 30, 2015 included an aggregate of 87% and 73%, respectively, from two customers of the Company’s total revenues.

APPLIED DNA SCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

(unaudited)

NOTE A — SUMMARY OF ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") 2016-09, "Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The objective of this update is to simplify several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the new guidance to determine the impact it may have on its condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The objective of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods and is to be applied utilizing a modified retrospective approach. The Company is currently evaluating the new guidance to determine the impact it may have on its condensed consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). This update requires an entity to classify deferred tax liabilities and assets as noncurrent within a classified statement of financial position. ASU 2015-17 is effective for annual and interim reporting periods beginning after December 15, 2016. This update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Early application is permitted as of the beginning of the interim or annual reporting period. The Company expects the impact of the adoption of this pronouncement on its condensed consolidated balance sheet to be a reclassification only, and does not expect the pronouncement to have a significant impact.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments (“ASU 2015-16”). The FASB issued ASU 2015-16 to simplify US GAAP to require that the acquirer record, in the same period’s financial statements, the effect of changes to provisional, measurement period amounts calculated as if the accounting had been completed at the acquisition date and disclose the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This guidance was effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The Company does not believe that this pronouncement will have a material impact on its condensed consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (Topic 330) ("ASU 2015-11"). ASU 2015-11 simplifies the accounting for the valuation of all inventory not accounted for using the last-in, first-out ("LIFO") method by prescribing that inventory be valued at the lower of cost and net realizable value. ASU 2015-11 is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 on a prospective basis. The Company does not expect the adoption of ASU 2015-11 to have a material effect on its condensed consolidated financial statements.

In August 2014, FASB issued ASU 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”). ASU 2014-15 provides guidance on management’s responsibility in evaluating whether there is substantial doubt about a company’s ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company’s ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in ASU 2014-15 are effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company will adopt the methodologies prescribed by ASU 2014-15 by the date required, and does not anticipate that the adoption of ASU 2014-15 will have a material effect on its condensed consolidated financial position or results of operations.

In June 2014, the FASB issued ASU 2014-12, “Accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period” (“ASU 2014-12”) which requires performance-based awards with a performance target that affects vesting and that could be achieved after an employee completes the requisite service period to be accounted for as a performance condition. If performance targets are clearly defined and it is probable that the performance condition will be achieved, stock-based expense should be recognized over the remaining requisite service period. This guidance is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2015. Early adoption is permitted. The Company is in the process of evaluating the provisions of ASU 2014-12 and assessing the potential effect on the Company’s condensed consolidated financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09, &lFFF; border-bottom:3px double #000000" valign=bottom width=64.467>

5,110,025

The number of shares of common stock outstanding in the table above excludes, as of December 31, 2015 (a) 6,389,500 shares of our common stock issuable upon the exercise of outstanding options and (b) 12,138,867 shares of our common stock issuable upon the exercise of outstanding warrants (including the Warrants), with a weighted average exercise price of $0.95 per share.

MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Market Information

Our common stock is quoted on the OTCQB under the symbol LWLG . The following table set forth below lists the range of high and low bids for our common stock for our two most recent fiscal years. The prices in the table reflect inter-dealer prices, without retail markup, markdown or commission and may not represent actual transactions or a liquid trading market.

		High	Low
2014	1st Quarter	$1.03	$0.68
	2nd Quarter	$0.94	$0.70
	3rd Quarter	$1.19	$0.87
	4th Quarter	$0.91	$0.74
2015	1st Quarter	$0.99	$0.74
	2nd Quarter	$0.93	$0.70
	3rd Quarter	$0.73	$0.59
	4th Quarter	$0.86	$0.51

As of March 17, 2016, we have a total of 65,591,629 shares of common stock outstanding, held by approximately 147 record shareholders and no shares of preferred stock outstanding.

Dividends

No cash dividends have been declared or paid on our common stock to date. No restrictions limit our ability to pay dividends on our common stock. The payment of cash dividends in the future, if any, will be contingent upon our Company's revenues and earnings, if any, capital requirements and general financial condition. The payment of any dividends is within the discretion of our board of directors. Our board of director's present intention is to retain all earnings, if any, for use in our business operations and, accordingly, the board of directors does not anticipate paying any cash dividends in the foreseeable future.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plans as of December 31, 2015

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	6,389,500	$0.83	2,266,600
Equity compensation plans not approved by security holders (2)	1,137,500	$0.99	0
Total	7,527,000	$0.86	2,266,600

1. Reflects our 2007 Employee Stock Plan for the benefit of our directors, officers, employees and consultants. We have reserved 10,000,000 shares of common stock for such persons pursuant to that plan.
2. Comprised of common stock purchase warrants we issued for services.

Penny Stock Regulations and Restrictions on Marketability

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

DILUTION

Shares of our common stock in this offering by the selling securityholders, including Lincoln Park, will not affect the rights or privileges of our existing stockholders, except that the economic and voting interests of each of our existing stockholders will be diluted as a result of any issuances of shares underlying the Warrants upon the exercise of any such Warrants by the selling securityholders and the shares that we may issue and sell to Lincoln Park from time to time under the Purchase Agreement. Although the number of shares of common stock that our existing stockholders own will not decrease, the shares owned by our existing stockholders will represent a smaller percentage of our total outstanding shares after any such issuances upon the exercise of the Warrants by the selling securityholders.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

We are a development stage, electro-optical device and organic nonlinear materials company. Our primary area of expertise is the chemical synthesis of chromophore dyes used in the development of organic Application Specific Electro-Optic Polymers (ASEOP) and organic Non-Linear All-Optical Polymers (NLAOP) that have high electro-optic and optical activity. Our family of materials are thermally and photo-chemically stable, which we believe could have utility across a broad range of applications in devices that address markets such as telecommunication, data communications, high-speed computing and photovoltaic cells. Secondarily, our Company is developing proprietary electro-optical and all-optical devices utilizing the advanced capabilities of our materials for applications in the fields mentioned above.

Electro-optic devices convert data from electric signals into optical signals for use in communications systems and in optical interconnects for high-speed data transfer. We expect our patented and patent-pending optical materials (chromophores), when combined with selected polymers to make ASEOP and NLAOP material systems and when completed and tested, to be the core of the future generations of optical devices, modules, sub-systems and systems that we will develop or be licensed by electro-optic device manufacturers, such as telecommunications component and systems manufacturers, networking and switching suppliers, semiconductor companies, aerospace companies and government agencies.

Our ASEOP material systems are property-engineered at the molecular level (nanotechnology level) to meet the exacting thermal, environmental and performance specifications demanded by electro-optic devices. We believe that our patented and patent pending technologies will enable us to design polymer based material systems that are free from the numerous diverse and inherent flaws that plague competitive polymer technologies employed by other companies and research groups. We engineer our polymer based material systems with the intent to have temporal, thermal, chemical and photochemical stability within our patented and patent pending molecular chromophore architectures.

Our non-linear all optical NLAOP material systems have demonstrated resonantly enhanced third-order properties approximately 2,630 times larger than fused silica, which means that they are highly photo-optically active in the absence of an RF circuit. In this way they differ from other polymer technologies and are considered more advanced next-generation materials.

Our revenue model relies substantially on the assumption that we will be able to successfully develop our polymer based material systems and photonic device products, which will use our polymer based material systems, for applications within the industries named below. When appropriate, we intend to create specific materials for each of these applications and use our proprietary knowledge base to continue to enhance its discoveries.

- cloud computing and data centers
- telecommunications/data communications
- backplane optical interconnects
- photovoltaic cells
- medical applications
- satellite reconnaissance
- navigation systems
- radar applications
- optical filters
- spatial light modulators
- all-optical switches

To be successful, we must, among other things:

- Develop and maintain collaborative relationships with strategic partners;
- Continue to expand our research and development efforts for our products;
- Develop and continue to improve on our manufacturing processes and maintain stringent quality controls;
- Produce commercial quantities of our products at commercially acceptable prices;
- Rapidly respond to technological advancements;
- Attract, retain and motivate qualified personnel; and
- Obtain and retain effective intellectual property protection for our products and technology.

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

Plan of Operation

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

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

Some of our more significant milestones that we achieved during 2014-2015 include:

In January 2014 we created a new methodology to combine multiple chromophores into a single polymer host that significantly improves their ability to generate more powerful organic, nonlinear electro-optical polymer systems. The new synthetic chemistry process can enable multiple chromophores (dyes) to work in concert with each other within a single polymer host. This proprietary process has created two new material systems, which have demonstrated outstanding electro-optic values. In addition, we now have a significant amount of data on the thermal aging of our materials. We have demonstrated that our materials can withstand more than 2,000 hours at 110 degrees C with little to no change in electro-optic activity in our materials, which is a significant milestone. To our knowledge, this is something that has not been achieved before in any polymer. We are also concurrently coating prototype waveguides with our proprietary material system.

In February 2014 we received our first purchase order for our advanced organic nonlinear electro-optic polymer from Boulder Nonlinear Systems (BNS) of Boulder, Colorado in connection with the development of a next generation LADAR system. A LADAR system is a radar system that utilizes a pulse laser to calculate the distance to a target, but is also capable of rendering a 3-D image. In the event BNS continues to move forward with the development of this LADAR system, we expect to receive additional purchase orders from BNS.

In March 2014 we began the process of manufacturing an advanced design Silicon Organic Hybrid Transceiver prototype and we released the completed chip design to the OpSIS Center at the University of Delaware who contracted with a third party to produce the initial silicon chips, which were delivered to us in December 2014 and January 2015. We are currently qualifying and testing these chips for utilization in our Silicon Organic Transceiver. The initial application will target inter-data center interconnections of more than 10 kilometers. Our next design will utilize a different frequency and address the current bottleneck in the rack-to-server layer at distances greater than 500 meters.

In April 2014 we entered into a sole worldwide license agreement with Corning Incorporated enabling us to integrate Corning's organic electro-optical chromophores into our portfolio of electro-optic polymer materials. The agreement allows us to use the licensed patents within a defined license field that includes communications, computing, power, and power storage applications utilizing the nonlinear optical properties of their materials.

In August 2014 the University of Colorado successfully fabricated and tested a bleached electro-optic waveguide modulator designed and fabricated through a sponsored collaborative research agreement. The results of this initial bleached waveguide modulator correlated well with previous electro-optic thin film properties. These initial results of our first in-house device were significant to our entire device program and were an important starting point for our current modulators that are being developed for target markets. We have multiple generations of new materials that we are optimizing for this specific design.

In October 2014 we submitted an order with Reynard Corporation to produce gold-layered fused silica substrates for our bleached waveguide modulators to be coated with several of our organic electro-optical polymers, which we received in early November and performance tested throughout December. In May, 2015, we subsequently decided to eliminate this product from our commercial development plans due to its limited commercial value, low speed characteristics, difficulty to mass-produce and limited ability to integrate with existing architectures. In lieu of this development program, a commercially viable prototype ridge waveguide modulator program was started to replace the bleached waveguide development. We believe that the ridge waveguide modulator represents a viable telecom device opportunity for the Company that does not have the inherent limitations seen in bleached waveguide structures.

In May 2015 we achieved operating capability of our in-house Class 100 Clean Room where we do thin film processing and expect to complete the development of prototype photonic devices enabled by our advanced organic electro-optic polymer material systems in a timelier manner. Additionally, the Joint Institute for Laboratory Astrophysics (JILA) certified three of our employees, which allows us access to JILA s world-class semiconductor facility located at the University of Colorado, Boulder. Access to this facility provides us with better control over the quality of our development work and the speed at which it progresses.

In August 2015 we completed 2,000+ hours of thermal aging tests of several blends of materials created by our multi-chromophore process, which included lengthy exposure to high temperatures (85^0C and 110^0C). The data collected indicated minimal loss of electro-optical activity (R_{33}) of our materials, which means that our organic polymers are expected to provide decades of operational performance. These results exceed previously published efforts for other organic polymers and are an important part of our commercialization effort as we begin to implement these material systems into advanced photonic devices for the telecom and datacom markets.

Additionally, in August 2015, we completed 500+ hours of photochemical stability testing of our material candidates by exposing them to the visible light spectrum. The data collected indicated no discernible change in the chemical

structures in an oxygen free environment. An accepted industry standard is 2,000 hours. This stability testing was begun to help us understand more clearly the processing and manufacturing requirements of our future commercial products, and provide initial assurances to expect the same results as we move these materials into an actual photonic device structures.

In October 2015, we successfully surpassed 2000 hours of photochemical stability testing of our material candidates with little to no change in the electro-optic characteristics (R_{33}) of our material; and, in January 2016, we successfully surpassed 4000 hours of photochemical stability testing of our material candidates with little to no change in the electro-optic characteristics (R_{33}) of our material. These photochemical stability test results, along with the thermal stability at 110°C, should enable the Company to demonstrate that organic polymers can compete head-to-head with inorganic crystalline legacy telecom and datacom devices which currently provide the backbone for the entire infrastructure that converts almost incalculable amounts of electronic (binary) data into pulses of light and back on a daily basis.

In November of 2015, we successfully fabricated ridge waveguide structures from our core material system. At the same time we successfully developed a proprietary methodology to segment individual chips from our silicon wafers that contain our ridge waveguide devices. These critical steps in our process provide us with a clear path towards a commercial telecommunication device. These same processes can be used for the fabrication of modulators to be used in data centers. The individual chips are now being analyzed and passively tested in our Longmont, CO optical test facility. We continue to move towards completion of an operating organic polymer-enabled ridge waveguide modulator prototype using our new multi-chromophore material systems.

In February 2016, we successfully guided laser single-mode light through 16 of our passive single-mode ridge waveguides made entirely out of our advanced organic polymer systems, which are the building block of waveguide modulators that achieve high modulator performance. As a result, our commercialization effort has entered the next phases of development: passive-waveguide loss measurements, followed by the development and active testing of electro-optic modulators. Utilizing continuous-wave input laser light, electro-optic modulators convert digital (binary) electrical data into output pulses of light that can be transported across fiber optical communication networks. Active testing is accomplished by applying an electrical signal to a modulator and evaluating the resulting output optical signal.

Presently, we are continuing to move towards completion of our operating organic polymer-enabled ridge waveguide modulator prototype using our new multi-chromophore material systems.

We ultimately intend to use our next-generation electro-optic polymer material systems and non-linear all-optical polymer material systems for future applications vital to the following industries. We expect to create specific materials for each of these applications as appropriate:

- Cloud computing and data centers
- Telecommunications/data communications
- Backplane optical interconnects
- Photovoltaic cells
- Medical applications
- Satellite reconnaissance
- Navigation systems
- Radar applications
- Optical filters
- Spatial light modulators
- All-optical switches

In an effort to maximize our future revenue stream from our electro-optic polymer material systems and non-linear all-optical polymer material systems, our business model anticipates that our revenue stream will be derived from one or some combination of the following: (i) technology licensing for specific product applications; (ii) joint venture relationships with significant industry leaders; (iii) the production and direct sale of our own photonic device components; or (iv) the vertical integration of our modulator into a transceiver device . Our objective is to be a leading provider of proprietary technology and know-how in the photonic device markets. In order to meet this objective, subject to successful testing of our technology and having available financial resources, we intend to:

- Develop electro-optic polymer material systems and non-linear all-optical polymer material systems and photonic devices

- Continue to develop proprietary intellectual property
- Streamline our product development process
- Develop a comprehensive marketing plan
- Maintain/develop strategic relationships with government agencies, private firms, and academic institutions
- Continue to attract and retain high level science and technology personnel to our Company

Our Proprietary Products in Development

As part of a two-pronged marketing strategy, our Company is developing several devices, which are in various stages of development that utilize our organic nonlinear optical materials.

They include:

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Ridge waveguide modulator

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Slot waveguide modulator

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Spatial light modulator

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100 Gbps telecommunications modulator

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200 Gbps datacomm/telecomm photonic transceiver

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Integrated photonic system

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

Capital Requirements

As a development stage company, we do not generate revenues. We have incurred substantial net losses since inception. We have satisfied our capital requirements since inception primarily through the issuance and sale of our common stock. During 2014 we received $4,329,978 in cash proceeds from the issuance and sale of our common stock. On June 15, 2015, we completed a private placement of our securities where we raised $1,915,000 in total proceeds. On December 30, 2015, we completed a private placement of our securities where we raised $2,400,000 in total proceeds.

Results of Operations

Comparison of fiscal 2015 to fiscal 2014

Revenues

As a development stage company, we had revenues of $0 during for the year ended December 31, 2015 and $2,500 for the year ended December 31, 2014. The Company is in various stages of material and photonic device development and evaluation. We expect the next revenue stream to be in product development agreements, prototype devices and sale of nonlinear optical polymer materials prior to moving into production.

Operating Expenses

Our operating expenses were $4,845,681 and $4,395,684 for the years ended December 31, 2015 and 2014, respectively, for an increase of $449,997. This increase in operating expenses was due primarily to increases in non-cash amortization of options and warrants, salaries and wages, investor relation expenses, laboratory materials and supplies, disposal of obsolete material and equipment, research and development rent and utility expenses, depreciation, research and development consulting fees and annual shareholder meeting expenses offset by decreases

in outsourced testing and product development expenses, license fees, general and administrative office expenses, accounting fees, travel expenses, legal expenses and general and administrative consulting fees.

Included in our operating expenses for the year ended December 31, 2015 was $2,825,099 for research and development expenses compared to $2,849,620 for the year ended December 31, 2014, for a decrease of $24,521. Outsourced testing and prototype development were brought in-house with the completion of the Company s clean room and optical testing operations. The decrease in research and development expenses is primarily due to decreases in outsourced testing and product development expenses and license fees offset by increases in salaries and wages, laboratory materials and supplies, disposal of obsolete material and equipment, research and development rent and utilities, depreciation expense, consulting fees and non-cash stock option and warrant amortization.

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

We expect to continue to incur substantial research and development expense to develop and commercialize our photonic devices and electro-optic materials platform. These expenses will increase as a result of accelerated development effort to support commercialization of our non-linear optical polymer materials technology; to build photonic device prototypes in our in-house laboratories; hiring additional technical and support personnel; engaging a senior technical advisor; pursuing other potential business opportunities and collaborations; customer testing and evaluation; and incurring related operating expenses.

Laboratory material testing expense and photonic device development decreased $230,764 from $526,531 for the year ended December 31, 2014 to $295,767 for the year ended December 31, 2015.

Wages and salaries and benefits increased $90,243 from $942,728 for the year ended December 31, 2014 to $1,032,971 for the year ended December 31, 2015.

Laboratory materials and supplies increased $63,176 from $140,939 for the year ended December 31, 2014 to $204,115 for the year ended December 31, 2015.

License fees decreased $30,000 to $0 for the year ended December 31, 2015 from $30,000 for the year ended December 31, 2014 for the license fee paid to Corning in accordance with a license agreement.

Consulting expenses increased $10,590 from $71,834 for the year ended December 31, 2014 to $82,424 for the year ended December 31, 2015.

Disposal of obsolete material and equipment increased $20,860 from $3,981 for the year ended December 31, 2014 to $24,841 for the year ended December 31, 2015.

Non-cash stock compensation and stock option and warrant amortization increased $9,390 from $750,729 for the year ended December 31, 2014 to $760,119 for the year ended December 31, 2015.

Rent expense increased $14,666 from $109,659 for the year ended December 31, 2014 to $124,325 for the year ended December 31, 2015 the optical lab and clean room facility in Colorado.

Depreciation expense increased $22,763 from $130,498 for the year ended December 31, 2014 to $153,261 for the year ended December 31, 2015 primarily due to the additional equipment purchased for the Company s Delaware and Colorado laboratory facilities.

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

General and administrative expenses increased $474,518 to $2,020,582 for the year ended December 31, 2015 from $1,546,064 for the year ended December 31, 2014. The increase is due primarily to increases in non-cash amortization of options and warrants, investor relations expenses, salaries and wages and annual shareholder meeting expenses offset by a decrease in office expenses, accounting fees, travel expenses, legal expenses and consulting fees.

Non-cash stock compensation and stock option amortization increased $448,158 from $222,678 for the year ended December 31, 2014 to $670,836 for the year ended December 31, 2015.

Investor relations expenses increased by $51,592 from $40,546 for the year ended December 31, 2014 to $92,138 for the year ended December 31, 2015.

Wages and salaries and benefits increased $28,276 from $543,820 for the year ended December 31, 2014 to $572,096 for the year ended December 31, 2015.

Expenses for the annual shareholder meeting increased $13,843 from $37,310 for the year ended December 31, 2014 to $51,153 for the year ended December 31, 2015.

Office expenses including administrative and receptionist expenses decreased $26,889 from $56,720 for the year ended December 31, 2014 to $29,831 for the year ended December 31, 2015 for expenses related to the Company s new headquarter and optical lab in Colorado.

Accounting fees decreased $10,930 from $99,453 for the year ended December 31, 2014 to $88,523 for the year ended December 31, 2015.

Travel expenses decreased $10,691 from and $61,826 for the year ended December 31, 2014 to $51,135 for the year ended December 31, 2015.

Legal fees decreased $8,329 to $171,728 for the year ended December 31, 2015 from $180,057 for the year ended December 31, 2014.

Consulting fees decreased $10,711 from $20,565 for the year ended December 31, 2014 to $9,854 for the year ended December 31, 2015.

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

Other Income (Expense)

Other income (expense) increased $16,862 to $249 for the year ending December 31, 2015 from ($16,613) for the year ending December 31, 2014, relating primarily to the commitment fee associated with the purchase of shares by an institutional investor for sale under a stock purchase agreement during 2014.

Net Loss

Net loss was $4,845,432 and $4,409,797 for the years ended December 31, 2015 and 2014, respectively, for an increase of $435,635 due primarily to increases in non-cash amortization of options and warrants, salaries and wages, investor relation expenses, laboratory materials and supplies, disposal of obsolete material and equipment, research and development rent and utility expenses, depreciation, research and development consulting fees and annual shareholder meeting expenses offset by decreases in outsourced testing and product development expenses, license fees, general and administrative office expenses, accounting fees, travel expenses, legal expenses and general and administrative consulting fees.

Significant Accounting Policies

Our Company's accounting policies are more fully described in Note 1 of Notes to Financial Statements. As disclosed in Note 1 of Notes to Financial Statements, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on our management s best knowledge of current events and actions our Company may undertake in the future, actual results could differ from the estimates.

Stock Based Compensation

Our Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award, with the following assumptions for 2015 and 2014: no dividend yield in both years, expected volatility, based on the Company s historical volatility, 75% to 79% in 2015 and between 70.25% to 109% in 2014, risk-free interest rate between 1.44% to 1.70% in 2015 and between 0.58% to 2.08% in 2014 and expected option life of 5 to 5.75 years in 2015 and 2.13 to 7.25 years in 2014.

As of December 31, 2015, there was $209,618 of unrecognized compensation expense related to non-vested market-based share awards that is expected to be recognized through August 2018.

Liquidity and Capital Resources

During the year ended December 31, 2015, net cash used in operating activities was $3,440,755 and net cash used in investing activities was $309,480, which was due primarily to the Company s research and development activities and general and administrative expenditures. Net cash provided by financing activities for the year ended December 31, 2015 was $4,315,000. At December 31, 2015, our cash and cash equivalents totaled $3,730,705, our assets totaled $5,110,025, our liabilities totaled $102,957, and we had stockholders equity of $5,007,068.

During the year ended December 31, 2014, net cash used in operating activities was $3,140,203 and net cash used in investing activities was $294,539, which was due primarily to the Company s research and development activities and general and administrative expenditures. Net cash provided by financing activities for the year ended December 31, 2014 was $4,329,978. At December 31, 2014, our cash and cash equivalents totaled $3,165,940, our assets totaled $4,279,423, our liabilities totaled $221,841, and we had stockholders equity of $4,057,582.

Sources and Uses of Cash

Our future expenditures and capital requirements will depend on numerous factors, including: the progress of our research and development efforts; the rate at which we can, directly or through arrangements with original equipment manufacturers, introduce and sell products incorporating our polymer materials technology; the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights; market acceptance of our products and competing technological developments; and our ability to establish cooperative development, joint venture and licensing arrangements. We expect that we will incur approximately $3,540,000 of expenditures over the next 12 months. Our cash requirements are expected to increase at a rate consistent with the Company s path to revenue growth as we expand our activities and operations with the objective of commercializing our electro-optic polymer technology during 2016.

Our business does not presently generate the cash needed to finance our current and anticipated operations. We believe we have raised sufficient capital to finance our operations through January 2017; however, we will need to obtain additional future financing after that time to finance our operations until such time that we can conduct profitable revenue-generating activities. Such future sources of financing may include cash from equity offerings, exercise of stock options, warrants and proceeds from debt instruments; but we cannot assure you that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to us.

On January 29, 2016, we signed a Purchase Agreement with Lincoln Park Capital Fund, LLC (Lincoln Park) to sell up to $20,000,000 of common stock whereby subject to certain conditions and at our sole discretion, Lincoln Park has committed to purchase up to $20,000,000 of our common stock over a 36-month period. We are registering for resale by Lincoln Park under the Purchase Agreement 5,000,000 shares of our common stock in this prospectus, 350,000 of which have already been issued as a commitment fee and 4,650,000 of which may be sold by us to Lincoln Park during the term of the Purchase Agreement. Pursuant to the Purchase Agreement, Lincoln Park is obligated to make purchases as the Company directs in accordance with the Purchase Agreement, which may be terminated by the Company at any time, without cost or penalty. Sales of shares will be made in specified amounts and at prices that are based upon the market prices of our common stock immediately preceding the sales to Lincoln Park. We expect this financing to provide us with sufficient funds to maintain our operations for the foreseeable future. With the additional capital, we expect to achieve a level of revenues attractive enough to fulfill our development activities and adequate enough to support our business model for the foreseeable future. We cannot assure you that we will meet the conditions of the Purchase Agreement with Lincoln Park in order to obligate Lincoln Park to purchase our shares of common stock. In the event we fail to do so, and other adequate funds are not available to satisfy long-term capital requirements, or if planned revenues are not generated, we may be required to substantially limit our operations. This limitation of operations may include reductions in capital expenditures and reductions in staff and discretionary costs.

There are no trading volume requirements or restrictions under the Purchase Agreement and we will control the timing and amount of any sales of our common stock to Lincoln Park. Lincoln Park has no right to require any sales by us, but is obligated to make purchases from us as we direct in accordance with the purchase agreement. We can also

accelerate the amount of common stock to be purchased under certain circumstances. There are no limitations on use of proceeds, financial or business covenants, restrictions on future funding, rights of first refusal, participation rights, penalties or liquidated damages in the purchase agreement. Lincoln Park may not assign or transfer its rights and obligations under stock the purchase agreement.

We expect that our cash used in operations will increase during 2016 and beyond as a result of the following planned activities:

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

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

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

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Developing and maintaining collaborative relationships with strategic partners;

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Developing and improving our manufacturing processes and quality controls; and

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

Analysis of Cash Flows

For the year ended December 31, 2015

Net cash used in operating activities was $3,440,755 for the year ended December 31, 2015, primarily attributable to the net loss of $4,845,432 adjusted by $91,263 in warrants issued for services, $1,339,692 in options issued for services, $48,963 in common stock issued for services, $179,907 in depreciation expenses and patent amortization expenses, ($136,264) in prepaid expenses and other current assets and ($118,884) in accounts payable and accrued expenses. Net cash used in operating activities consisted of payments for research and development, legal, professional and consulting expenses, rent and other expenditures necessary to develop our business infrastructure.

Net cash used by investing activities was $309,480 for the year ended December 31, 2015, consisting of $29,577 in cost for intangibles and $279,903 in asset additions primarily for the new lab facility.

Net cash provided by financing activities was $4,315,000 for the year ended December 31, 2015 and consisted of $4,315,000 proceeds from private placement.

For the year ended December 31, 2014

Net cash used in operating activities was $3,140,203 for the year ended December 31, 2014, primarily attributable to the net loss of $4,409,797 adjusted by $148,681 in warrants issued for services, $824,726 in options issued for services, $41,362 in common stock issued for services, $151,183 in depreciation expenses and patent amortization expenses, $3,977 in prepaid expenses and $99,665 in accounts payable and accrued expenses. Net cash used in operating activities consisted of payments for research and development, legal, professional and consulting expenses, rent and other expenditures necessary to develop our business infrastructure.

Net cash used in investing activities was $294,539 for the year ended December 31, 2014, consisting of $81,350 in cost for intangibles and $213,189 in asset additions primarily for the new lab facility.

Net cash provided by financing activities was $4,329,978 for the year ended December 31, 2014 and consisted of $3,140,000 proceeds from private placement, $1,036,148 in proceeds from sale of common stock to an institutional

investor and $153,830 from the exercise of options and warrants.

Inflation and Seasonality

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

BUSINESS

Lightwave Logic, Inc. is developing a new generation of advanced organic nonlinear chromophores to be used to make electro-optic polymer material systems and non-linear all-optical polymer material systems. We are developing a new generation of photonic devices that utilize our unique polymer based material systems. These polymer based material systems, when used in modulators or waveguide structures, can convert high-speed electronic signals into optical (light) signals for use in communications systems, high-speed data transfer or advanced high speed computing. Our Company is developing proprietary all-optical devices utilizing the advanced capabilities of our materials for the application mentioned above. These all-optical devices use light waves to switch other light waves meaning these material systems have third-order properties.

Inorganic material with electro-optic characteristics is the core active ingredient in high-speed fiber-optic telecommunication systems. Utilizing our proprietary technology, we are in the process of engineering advanced organic electro-optic polymer material systems that we believe may lead to significant performance advancements, component size and cost reduction, ease of processing, and thermal and temporal stability. We believe that our electro-optic polymer material systems engineered at the molecular level may have a significant role in the future development of commercially significant electro-optic related products.

Our organic electro-optic polymer material systems work by affecting the optical properties of light in the presence of an electric field at extremely high frequencies (wide bandwidths), but possess inherent advantages to inorganic materials.

Currently, the core electro-optic material contained in most modulators is a crystalline material, such as lithium niobate, indium phosphide and gallium arsenide. The following chart describes some of the characteristics of crystalline materials and electro-optical polymers.

Crystalline Materials	**Electro-optical Polymers**
Must be manufactured in strict dust-free conditions since even slight contamination can render them inoperable	Capable of being manufactured in less stringent environmental conditions. Capable of being tailored at the molecular level for optimal performance characteristics
More expensive to manufacture	Less expensive to manufacture
Limited to telecommunication speeds that are less than 40Gb/s (40 billion digital bits of data per second)	Demonstrated the ability to perform at speeds that are greater than 100Gb/s (100 billion digital bits of data per second)
Lithium niobate devices require large power levels (modulation voltages) to operate and are large in size --	Require significantly lower power levels, up to 60% less (modulation voltages) to operate and are capable of

typically measuring about four inches long (considering that most integrated circuits are literally invisible to the naked eye, these devices are enormous)	miniaturization
Requires more elaborate, expensive mechanical packaging (housings) generally comprised of materials, such as gold-plated Kovar, in order to assure operational integrity over required time and operating temperature ranges	Initial tests indicate no requirement for more elaborate, expensive packaging (housings)

We consider organic polymers with electro-optic qualities to be the most feasible technology for future high-speed (wide bandwidth) electronic-optical conversion. Due to the ease of processing afforded by electro-optic polymers, as well as their capacity to foster component size reduction, we believe electro-optic polymers have the potential to replace more expensive, lower-performance materials and devices used in fiber-optic ground, wireless and satellite communication networks that are used today in commercial and military telecommunications and advanced computational systems.

We also believe potential future applications may include: (i) cloud computing and data centers; (ii) telecommunications/data communications; (iii) backplane optical interconnects; (iv) photovoltaic cells; (v) medical applications; (vi) satellite reconnaissance; (vii) navigation systems; (viii) radar applications; (ix) optical filters; (x) spatial light modulators; and (xi) all-optical switches.

Our Electro-Optic Technology Approach

Our proposed solution to produce high-performance, high-stability electro-optic polymers for high-speed (wide bandwidth) telecommunication applications lies in a less mainstream, yet firmly established, scientific phenomenon called aromaticity. Aromaticity causes a high degree of molecular stability. It is a molecular arrangement wherein atoms combine into multi-membered rings and share their electrons among each other. Aromatic compounds are stable because the electronic charge distributes evenly over a great area preventing hostile moieties, such as oxygen and free radicals, from finding an opening to attack.

For the past two decades, diverse corporate interests, including, to our knowledge, IBM, Lockheed Martin, DuPont, AT&T Bell Labs, Honeywell and 3M, as well as numerous universities and U.S. Government Agencies, have been attempting to produce high-performance, high-stability electro-optic polymers for high-speed (wide bandwidth) telecommunication applications. These efforts have largely been unsuccessful due, in our opinion, to the industry's singular adherence to an industry pervasive engineering model known as the Bond Length Alternation ("BLA") theory model. The BLA model, like all other current industry-standard molecular designs, consists of molecular designs containing long strings of atoms called polyene chains. Longer polyene chains provide higher electro-optic performance, but are also more susceptible to environmental threats, which result in unacceptably low-performing, thermally unstable electro-optic polymers.

As a result, high frequency modulators engineered with electro-optic polymers designed on the BLA model or any other polyene chain design models are unstable over typical operating temperature ranges, and often exhibit performance degradation within days, hours or even minutes. Similarly, lower frequency modulators exhibit comparable failings, but to a lesser extent. These flaws, in most cases, have prevented commercial quality polymer-based modulators operating at 10-40Gb/s from entering the commercial marketplace. The thermal stability of these devices does not generally meet the minimum Telcordia GR-468 operating temperature range (-40 degrees Celsius to +85 degrees Celsius) much less the more harsh MILSPEC 883D (military specification) range of -55 degrees Celsius to 150 degrees Celsius.

None of our patented molecular designs rely on the BLA polyene chain design model.

Our Intellectual Property

Issued U.S. Patents:

- Heterocyclical Chromophore Architectures (Granted April 5, 2011)
- Tricyclic Spacer Systems for Nonlinear Optical Devices (Granted – February 22, 2011)
- Heterocyclical Chromophore Architectures (Granted September 18, 2012)
- Tricyclic Spacer Systems for Nonlinear Optical Devices (Granted- October 30, 2012)

Issued Australian Patents:

- Heterocyclical Chromophore Architectures (Granted November 29, 2012)

Allowed Japanese Patents:

- Heterocyclical Chromophore Architectures (Granted March 19, 2013)

We have twenty-four pending patent applications (including six patent families with applications in Australia, Canada, China, European Patent Office, Japan and the U.S. based on the PCT and U.S. applications below) in the field of nonlinear optic chromophore design as follows:

- Stable Free Radical Chromophores, processes for preparing the same
- Stable Free Radical Chromophores, processes for preparing the same
- Tricyclic Spacer Systems for Nonlinear Optical Devices
- Anti-Aromatic Chromophore Architectures
- Heterocyclical Anti-Aromatic Chromophore Architectures
- Heterocyclical Chromophore Architectures
- Heterocyclical Chromophore Architectures with Novel Electronic Acceptor Systems

Heterocyclical Anti-Aromatic Systems Two of our provisional patents cover heterocyclical anti-aromatic electronic conductive pathways, which are the heart of our high-performance, high-stability molecular designs. The completely heterocyclical nature of our molecular designs "lock" conductive atomic orbitals into a planar (flat) configuration, which provides improved electronic conduction and a significantly lower reaction to environmental threats (e.g. thermal, chemical, photochemical, etc.) than the BLA design paradigm employed by other competitive electro-optic polymers.

The anti-aromatic nature of these structures dramatically improves the "zwitterionic-aromatic push-pull" of the systems, providing for low energy charge transfer. Low energy charge transfer is important for the production of extremely high electro-optic character.

Heterocyclical Steric Hindering System This patent describes a nitrogenous heterocyclical structure for the integration of steric hindering groups that are necessary for the nanoscale material integration. Due to the [pi]-orbital configuration of the nitrogen bridge, this structure has been demonstrated not to interfere with the conductive nature of the electronic conductive pathway and thus is non-disruptive to the electro-optic character of the core molecular construction. The quantum mechanical design of the system is designed to establish complete molecular planarity (flatness) for optimal performance.

Totally Integrated Material Engineering System This patent covers material integration structures under a design strategy known as Totally Integrated Material Engineering. These integration structures provide for the "wrapping" of the core molecule in sterically hindering groups that maximally protect the molecule from environmental threats and maximally protect it from microscopic aggregation (which is a major cause of performance degradation and optical loss) within a minimal molecular volume. These structures also provide for the integration of polymerizable groups for integration of materials into a highly stable cross-linked material matrix.

Historic Breakthroughs and Results

During 2004, independent quantum mechanical calculations performed on our electro-optic polymer designs at government laboratories located at the Naval Air Warfare Center Weapons Division in China Lake, California suggested that our initial aromatic molecules perform two and a half (2.5) to three and three-tenths (3.3) times more efficiently than currently available telecom grade electro-optic polymers. Our conclusion was that performance improvements of this magnitude indicate a significant breakthrough in the field of fiber-optic telecommunication.

In May and June of 2006, performance evaluations of one of our first extremely high-performance electro-optic materials were performed by electro-optic expert, Dr. C.C. Teng, co-inventor of the renowned Teng-Man test, and

subsequently confirmed by the University of Arizona's College of Optical Sciences. Under identical laboratory conditions at low molecular loadings, one of our molecular designs outperformed one of the industry's highest performance electro-optic systems by a factor as high as 650%. Our conclusion was that the Teng-Man test established the validity of our novel, patent pending molecular design paradigm known as CSC (Cyclical Surface Conduction) theory; and that the success of CSC theory has the potential to establish the fundamental blueprint of electro-optic material design for decades to come, and to have broad application in commercial and military telecommunication and advanced computational systems.

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

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

In July 2007, our Company developed an innovative process to integrate our unique architecture into our anticipated commercial devices, whereby dendritic spacer systems are attached to its core chromophore. In the event we are successful in developing a commercially viable product, we believe these dendrimers will reduce the cost of manufacturing materials and reduce the cost and complexity of tailoring the material to specific customer requirements.

In March 2008, we commenced production of our first prototype photonic chip, which we delivered to Photon-X, LLC to fabricate a prototype polymer optical modulator and measure its technical properties. In June 2009 we released test results conducted by Dr. C.C. Teng that re-confirmed our previous test results.

In August 2009, Photon-X, LLC commenced a compatibility study, process sequences, and fabricated wafers/chips containing arrays of phase modulators. The first one hundred plus modulators (bench top devices) were completed at the end of October 2009, and were successfully characterized for insertion loss, Vpi, modulation dynamic range and initial frequency response in March 2010. The multi-step manufacturing process we utilized to fabricate our modulators involved exposing our proprietary Perkinamine materials to extreme conditions that are typically found in standard commercial manufacturing settings. Our step-by-step analysis throughout the fabrication process demonstrated to us that our Perkinamine materials could successfully withstand each step of the fabrication process without damage.

In August 2009, we retained Perdix, Inc. in Boulder, Colorado to help us identify and build prototype products for high growth potential target markets in fiber optic telecommunications systems. During October 2009, we initiated the development and production of our prototype amplitude modulator, which can ultimately be assembled into 1- and 2-dimensional arrays that are useful for optical computing applications, such as encryption and pattern recognition. We expected our initial prototype amplitude modulator to be completed by the end of the second quarter 2010. We continued to work on this device throughout 2010 and discovered its design had limitations so we terminated the program to take a different design approach. We embarked on the new design approach in 2011 with another partner, Boulder Nonlinear Systems (BNS). A feasibility study with our new design partner was started in late 2011. This research and development program continued through 2013, and was completed the end of the third quarter of 2013. The results of this study gave us a guide on how to move forward with the design of our prototype spatial light modulator. The second phase of the program is under review and we expected to start the second phase sometime the second half of 2014; but funding for phase two of this program was delayed. We hope to reengage our work on this program after funding is approved.

In March 2010 we successfully concluded initial electrical and optical performance testing of our prototype phase modulator and began Application Engineering of our technology in customer design environments and working directly with interested large system suppliers to attempt to engineer specific individual product materials and device designs for sale to or by these suppliers. Those programs were subsequently put on hold by the system suppliers.

In October of 2010, we completed the concept stage of a novel design for an advanced optical computing application and moved forward into the design stage with Celestech, Inc. of Chantilly, Virginia. Several projects with Celestech are currently on hold. If these projects move forward, they will incorporate one or more of our Company s advanced electro-optical polymer materials.

In October of 2010 we announced the results of testing performed by Lehigh University that demonstrated the third-order non-linear properties of our proprietary molecules in the PerkinamineNR chromophore class. Lehigh University determined that the material was 100 times stronger than the highest off-resonance small molecule currently known. They also determined that it was 2,600 times more powerful than fused silica and demonstrated extremely fast (less than 1 picosecond) photo-induced non-linear response that would be capable of modulation at rates of 1 THz (terahertz). Additional testing at Lehigh University of the Company s other Perkinamine class of materials demonstrated third-order non-linear properties, which may have utility in all optical switches.

In March 2011 we entered into a research and development agreement with the City University of New York s Laboratory for Nano Micro Photonics (LaNMP) to develop third-order non-linear devices. The combination of LaNMP s device capabilities together with our materials expertise should accelerate the development of all-optical devices. This effort, starting with an all-optical switch, was continued at the University of Colorado, Boulder through an agreement entered into in January 2013. This research and development effort continued through 2014, but not at the pace we expected. In the future we hope to engage a product development partner, which should accelerate the product development program.

In March 2011, we entered into a research and development agreement with the City University of New York s (CUNY) Laboratory for Nano Micro Photonics (LaNMP) to develop third-order non-linear devices. The combination of LaNMP s device capabilities together with our materials expertise showed promise for the development of all-optical devices. The agreement ran through the end of 2011. The goal of the project was to fabricate and test slot waveguides embedded with two types of nonlinear optical polymers obtained from our Company. These two polymers were Perkinamine and PerkinamineNR . In CUNY s final report it showed they successfully demonstrated that the Perkinamine and PerkinamineNR survived their 170 degrees C processing temperature without degradation. According to their report, they were successful in one processing run wherein they showed the possibility to realize waveguides with very smooth sidewalls. Reflectivity measurements carried out under optical pumping showed phase shift in the Perkinamine material.

In March 2011 we announced a two-year research and development collaboration with the University of Alabama to explore the advanced energy capture properties of our Perkinamine class of chromophores. Our material absorbs light across a wide range of wavelengths from near infrared into the near ultraviolet. We have subsequently ended our relationship with the University.

In December 2011, we announced the discovery of a new material named Perkinamine Indigo . We believed this represented a major advancement in the field of organic nonlinear optical materials. We have much to learn about how to harness full potential of Perkinamine Indigo . The material demonstrated an unusually high electro-optical effect of greater than 250 picometers per volt at 1550 nanometers with excellent thermal and photo stability. Independent research laboratories at Micron Inc., Photon-X and The University of Colorado confirmed these characteristics. Subsequent measurements showed electro-optical effects closer to 100 picometers per volt in a 500 nm thin films. We continued the development work to better understand these results. In January 2014 we created a new methodology to combine multiple chromophores into a single polymer host that significantly improved our ability to create more powerful organic, nonlinear electro-optical polymer systems. The new synthetic chemistry process can enable multiple chromophores (dyes) to work in concert with each other within a single polymer host. This proprietary process has created two new material systems, which have demonstrated outstanding electro-optic values. In addition, initial thermal stability results exceed any commercially available organic nonlinear polymer material systems.

In June 2012 we opened a new internal research laboratory facility in Newark, Delaware in the Delaware Technology Park, near the University of Delaware. This new lab facility enables us to synthesize and test our materials in the same facility and will help us accelerate our development efforts. It is equipped with state of the art equipment necessary to expand our ability to conduct synthetic chemistry in much more tightly controlled conditions. Additionally, we equipped a separate advanced optical laboratory at the same location where the necessary testing of material candidates will be performed as they emerge from our new synthesis laboratory. The optical laboratory has subsequently been moved to Longmont, CO.

In July 2012 we entered into an agreement with The University of Colorado, Boulder, Guided Wave Optics Laboratory (GWOL) to conduct analytical testing and to carry out studies that will give a better understanding of the

properties of a new class of composite organic electro-optic materials. This class of materials was our Perkinamine Indigo . The processing and measurements were carried out primarily at the university s GWOL. The work was completed in close collaboration with Company personnel. It was determined a new synthetic chemistry and material process methodology was needed for consistent and repeatable results. That methodology was announced in January 2014.

In February 2013 we delivered to a potential large system supplier customer prototype devices that were coated with our advanced organic nonlinear electro-optical polymer, Perkinamine Indigo . Tests conducted by the University of Colorado, Boulder on coupons coated with the material demonstrated R_{33} measurements from 100-125 picometers per volt, as measured by the University of Colorado which exceeded the potential large system supplier customer's stated electro-optical requirements.

In March 2013 we entered into a product development contractor agreement with EM Photonics (EMP) of Newark, Delaware to fabricate and test waveguides and phase modulators during an initial development phase using existing EMP polymer modulator design and processes. In June 2013 we consolidated the EMP design program into our University of Colorado, Boulder (UCB) program after we fabricated structures with UCB that will be used as the basic building blocks of our Integrated Optical Device effort for the construction of both our advanced telecom modulator and data communications transceiver. In August 2013 in a combined effort of the Company s chemists, the University of Colorado, Boulder, and a third party research group, we successfully fabricated Silicon Organic Hybrid (SOH) slot waveguide modulators. The devices utilized an existing modulator structure with one of our proprietary electro-optic polymer material systems as the enabling material layer. In October 2013, we confirmed the functionality of the SOH slot waveguide modulators as operating devices.

In April 2013 our potential large system supplier customer informed us that their preliminary testing results on the prototype devices coated with Perkinamine Indigo that we delivered to them in February 2013 demonstrated several of the key performance parameters that they desired. There were additional tests that need to be completed. We worked with our potential customer utilizing our Perkinamine family of chromophores in a number of host polymers to evaluate these polymers in conjunction with our chromophores for a specific performance attributes for their application. Currently, this customer s program is on hold, and we do not know when or if this program will restart. We are currently talking to other potential new development partners.

In August 2013 in a combined effort of the Company s chemists, the University of Colorado, Boulder, and a third party research group we successfully fabricated Silicon Organic Hybrid (SOH) slot waveguide modulators. The devices utilized an existing modulator structure with one of our proprietary electro-optic polymer material systems as the enabling material layer. In October 2013, we confirmed the functionality of the SOH slot waveguide modulators as operating prototype devices. These first-generation devices have achieved greater electro-optical activity and dramatically lower drive voltage than industry standard modulators based on inorganic materials. We continued this effort in 2014 and have signed an agreement with the third party research group to continue our collaboration through 2016.

In November 2013, preliminary testing and initial data on our SOH slot waveguide modulators demonstrated several promising characteristics. The tested SOH chip had a 1-millimeter square footprint, enabling the possibility of sophisticated integrated optical circuits on a single silicon substrate. In addition, the waveguide structure was approximately 1/20 the length of a typical inorganic-based silicon photonics modulator waveguide. With the combination of our proprietary electro-optic polymer material and the extremely high optical field concentration in the slot waveguide modulator, the test modulators demonstrated less than 2.2 volts to operate. Initial speeds exceeded 30-35 GhZ in the telecom, 1550 nanometer frequency band. This is equivalent to four, 10Gb/sec, inorganic, lithium niobate modulators that would require approximately 12-16 volts to move the same amount of information. Our material also operates in the 1310 nanometer frequency band, which is suitable for data communications applications.

In January 2014 we created a new methodology to combine multiple chromophores into a single polymer host that significantly improves their ability to generate more powerful organic, nonlinear electro-optical polymer systems. The new synthetic chemistry process can enable multiple chromophores (dyes) to work in concert with each other within a single polymer host. This proprietary process has created two new material systems, which have demonstrated outstanding electro-optic values. In addition, we now have a significant amount of data on the thermal aging of our materials. We have demonstrated that our materials can withstand more than 2,000 hours at 110 degrees C with little to no change in electro-optic activity in our materials, which is a significant milestone. To our knowledge, this is something that has not been achieved before in any polymer. We are also concurrently coating prototype waveguides with our proprietary material system.

In February 2014 we received our first purchase order for our advanced organic nonlinear electro-optic polymer from Boulder Nonlinear Systems (BNS) of Boulder, Colorado in connection with the development of a next generation

LADAR system. A LADAR system is a radar system that utilizes a pulse laser to calculate the distance to a target, but is also capable of rendering a 3-D image. In the event BNS continues to move forward with the development of this LADAR system, we expect to receive additional purchase orders from BNS.

In March 2014 we began the process of manufacturing an advanced design Silicon Organic Hybrid Transceiver prototype and we released the completed chip design to the OpSIS Center at the University of Delaware who contracted with a third party to produce the initial silicon chips, which were delivered to us in December 2014 and January 2015. We are currently qualifying and testing these chips for utilization in our Silicon Organic Transceiver. The initial application will target inter-data center interconnections of more than 10 kilometers. Our next design will utilize a different frequency and address the current bottleneck in the rack-to-server layer at distances greater than 500 meters.

In April 2014 we entered into a sole worldwide license agreement with Corning Incorporated enabling us to integrate Corning's organic electro-optical chromophores into our portfolio of electro-optic polymer materials. The agreement allows us to use the licensed patents within a defined license field that includes communications, computing, power, and power storage applications utilizing the nonlinear optical properties of their materials.

In August 2014 the University of Colorado successfully fabricated and tested a bleached electro-optic waveguide modulator designed and fabricated through a sponsored collaborative research agreement. The results of this initial bleached waveguide modulator correlated well with previous electro-optic thin film properties. These initial results of our first in-house device were significant to our entire device program and were an important starting point for our current modulators that are being developed for target markets. We have multiple generations of new materials that we are optimizing for this specific design.

In October 2014 we submitted an order with Reynard Corporation to produce gold-layered fused silica substrates for our bleached waveguide modulators to be coated with several of our organic electro-optical polymers, which we received in early November and performance tested throughout December. In May, 2015, we subsequently decided to eliminate this product from our commercial development plans due to its limited commercial value, low speed characteristics, difficulty to mass-produce and limited ability to integrate with existing architectures. In lieu of this development program, a commercially viable prototype ridge waveguide modulator program was started to replace the bleached waveguide development. We believe that the ridge waveguide modulator represents a viable telecom device opportunity for the Company that does not have the inherent limitations seen in bleached waveguide structures.

In May 2015 we achieved operating capability of our in-house Class 100 Clean Room where we expect to do thin film processing and complete the development of prototype photonic devices enabled by our advanced organic electro-optic polymer material systems in a timelier manner. Additionally, the Joint Institute for Laboratory Astrophysics (JILA) certified three of our employees, which allows us access to JILA s world-class semiconductor facility located at the University of Colorado, Boulder. Access to this facility provides us with better control over the quality of our development work and the speed at which it progresses.

In August 2015 we completed 2,000+ hours of thermal aging tests of several blends of materials created by our multi-chromophore process, which included lengthy exposure to high temperatures (85^0C and 110^0C). The data collected indicated minimal loss of electro-optical activity (R_{33}) of our materials, which means that our organic polymers are expected to provide decades of operational performance. These results exceed previously published efforts for other organic polymers and are an important part of our commercialization effort as we begin to implement these material systems into advanced photonic devices for the telecom and datacom markets.

Additionally, in August 2015, we completed 500+ hours of photochemical stability testing of our material candidates by exposing them to the visible light spectrum. The data collected indicated no discernible change in the chemical structures in an oxygen free environment. This stability testing was begun to help us understand more clearly the processing and manufacturing requirements of our future commercial products, and provide initial assurances to expect the same results as we move these materials into an actual photonic device structures. This, in turn, has enabled us to begin initial device testing on devices that utilize our silicon photonic chips.

In October 2015, we successfully surpassed 2000 hours of photochemical stability testing of our material candidates with little to no change in the electro-optic characteristics (R_{33}) of our material; and, in January 2016, we successfully surpassed 4000 hours of photochemical stability testing of our material candidates with little to no change in the electro-optic characteristics (R_{33}) of our material. These photochemical stability test results, along with the thermal stability at 110°C, should enable the Company to demonstrate that organic polymers can compete head-to-head with inorganic crystalline legacy telecom and datacom devices which currently provide the backbone for the entire infrastructure that converts almost incalculable amounts of electronic (binary) data into pulses of light and back on a daily basis.

In November of 2015, we successfully fabricated ridge waveguide structures from our core material system. At the same time we successfully developed a proprietary methodology to segment individual chips from our silicon wafers that contain our ridge waveguide devices. These critical steps in our process provide us with a clear path towards a commercial telecommunication device. These same processes can be used for the fabrication of modulators to be used in data centers. The individual chips are now being analyzed and passively tested in our Longmont, CO optical test facility.

In February 2016, we successfully guided laser single-mode light through 16 of our passive ridge waveguides made entirely out of our advanced organic polymer systems, which are the building block of waveguide modulators that can achieve high modulator performance. As a result, our commercialization effort has entered the next phases of development: passive-waveguide loss measurements, followed by the development and active testing of electro-optic modulators. Utilizing continuous-wave input laser light, electro-optic modulators convert digital (binary) electrical data into output pulses of light that can be transported across fiber optic communication networks. Active testing is accomplished by applying an electrical signal to a modulator and evaluating the resulting output optical signal.

Presently, we are continuing to move towards completion of our operating organic polymer-enabled ridge waveguide modulator prototype using our new multi-chromophore material systems.

We ultimately intend to use our next-generation electro-optic polymer material systems and non-linear all-optical polymer material systems for future applications vital to the following industries. We expect to create specific materials for each of these applications as appropriate:

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Cloud computing and data centers

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Telecommunications/data communications

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Backplane optical interconnects

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Photovoltaic cells

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Medical applications

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Satellite reconnaissance

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Navigation systems

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Radar applications

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Optical filters

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Spatial light modulators

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All-optical switches

In an effort to maximize our future revenue stream from our electro-optic polymer material systems and non-linear all-optical polymer material systems, our business model anticipates that our revenue stream will be derived from one or some combination of the following: (i) technology licensing for specific product applications; (ii) joint venture relationships with significant industry leaders; or (iii) the production and direct sale of our own photonic device components. Our objective is to be a leading provider of proprietary technology and know-how in the photonic device markets. In order to meet this objective, subject to successful testing of our technology and having available financial resources, we intend to:

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Develop electro-optic polymer material systems and non-linear all-optical polymer material systems and photonic devices

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Continue to develop proprietary intellectual property

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Streamline our product development process

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Develop a comprehensive marketing plan

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Maintain/develop strategic relationships with government agencies, private firms, and academic institutions

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Continue to attract and retain high level science and technology personnel to our Company

The Electro-Optic Device Market

General

Electro-optic devices such as fiber-optic modulators translate electric signals into optical signals. Such devices are used in communication systems to transfer data over fiber-optic networks. Optical data transfer is significantly faster and more efficient than transfer technologies using only electric signals, permitting more cost-effective use of bandwidth for broadband Internet and voice services.

Two distinct technologies currently exist for the fabrication of fiber-optic devices, such as fiber-optic modulators. The first, which is the more traditional technology, utilizes an electro-optically active inorganic core crystalline material (e.g. lithium niobate). The second, which is the focus of the Company s research and development, involves the exploitation of electro-optic polymers.

Traditional Technology - Inorganic Crystals

Traditional technology translates electric signals into optical signals generally relying upon electro-optic materials, such as lithium niobate, indium phosphide and gallium arsenide. Five of the largest inorganic fiber-optic component manufactures hold approximately 85% of the electro-optic modulator component market. They are JDSU, Sumitomo, Oclaro, Fujitsu and ThorLabs. These companies are heavily invested in the production of crystalline-based electro-optic modulator technologies, as well as the development of novel manufacturing techniques and integrated laser/modulator designs. While each company possesses their own modulator design and processing patents, the underlying core constituents (lithium niobate, indium phosphide, gallium arsenide) occur in nature and as such cannot be patented.

New Technology - Organic Polymers

Our developing technology that translates electric signals into optical signals relies upon organic electro-optic materials, such as electro-optic polymers. Electro-optic polymers involve the material integration of specifically engineered organic (carbon-based) compounds. The molecular designs of these compounds are precise and do not occur naturally; thus they may be protected under patent law.

Polymer-based electro-optic modulators may provide considerable advantages over traditional inorganic fiber-optic technology in terms of:

- Cost
- Size and versatility
- Modulating/switching speed
- Optical transmission properties
- Lower operating voltages
- Generate less heat

Our Company holds an extensive amount of internally developed intellectual property in the field of electro-optic molecular design that, as a whole, attempts to fundamentally solve these and other problems associated with these molecular structures. We believe our provisional patents describe broad, highly unique techniques for novel paradigms in molecular design.

Our innovative solution lies in a very well known scientific phenomenon called aromaticity, which causes a high degree of molecular stability. Aromaticity is a molecular arrangement wherein atoms combine into multi-membered rings and share their electrons among each other. Aromatic compounds are extremely stable because the electronic charge distributes evenly over a great area preventing hostile moieties, such as oxygen and free radicals, from finding an opening to attack. Until now, to our knowledge, no one has been able to propose molecular designs that could effectively exploit aromaticity in the design of a high-performance electro-optic polymer.

We believe now that we have fabricated electro-optic molecular architectures that do in fact exhibit extremely high thermal stability, our technologies may soon replace inorganic electro-optic materials in the marketplace due to their considerable advantages over traditional inorganic fiber-optic materials.

Our Target Markets

Our proprietary electro-optic polymers are designed at the molecular level for potentially superior performance, stability and cost-efficiency and we believe may have the potential to replace more expensive, lower-performance materials and devices used in fiber-optic ground, wireless and satellite communication networks. We believe our organic electro-optic polymers may have broad applications in civilian and military telecommunications and advanced computational systems. Potential future applications may include: (i) cloud computing and data centers; (ii) telecommunications/data communications; (iii) backplane optical interconnects; (iv) photovoltaic cells; (v) medical applications; (vi) satellite reconnaissance; (vii) navigation systems; (viii) radar applications; (ix) optical filters; (x) spatial light modulators; and (xi) all-optical switches.

Cloud computing and data centers

Big data is a general term used to describe the voluminous amount of unstructured and semi-structured data a company creates -- data that would take too much time and cost too much money to load into a relational database for analysis. Companies are looking to cloud computing in their data centers to access all the data. Inherent speed and bandwidth limits of traditional solutions and the potential of organic polymer devices offer an opportunity to increase the bandwidth, reduce costs and improve speed of access.

Telecommunications/Data Communications

Telecommunications is one of the primary initial target applications for electro-optic polymers. Telecommunication companies are currently faced with the enormous challenge to keep up with the tremendous explosion in demand for bandwidth due to the popularity of Internet enabled devices accessing all forms of streaming media, along with voice messaging, text messaging and cloud based data access.

The challenge for these companies is converting digital information in the form of electric signals into optical information and back. Their networks rely upon optical modulators based around inorganic materials, such as lithium niobate, to accomplish this task. These existing legacy modulators have inherent limitations in terms of maximum data rates, error correction, and costs associated with their manufacture and other operating costs related to drive voltage and heat dissipation due to the complexities of producing single crystalline ingots of sufficient diameter (3 to 5 inches). Also, strict environmental controls must be enforced during the growth of the core crystalline material.

Replacing these inorganic materials with organic polymer materials made with the Perkinamine family of chromophores would offer significant improvements in data rates; reduce form factor; require less error correction along with a significant reduction in drive voltage leading to less heat dissipation and hence reduce the overall cost of operation with regard to site cooling. Polymers are not inherently costly to produce nor do they require such strict environmental conditions. Due to their material flexibility (e.g. ability to more easily mold into specific topologies) they are expected to enable smaller, faster, less expensive, and more integrated network components. In many laboratory tests, electro-optic polymers have demonstrated substantial (3-10x) transmission data speed improvements over crystalline technologies (lithium niobate, gallium arsenide, indium phosphide).

Backplane Optical Interconnects

Organic nonlinear polymer based devices offer advantages in Active Optical cables that are used in data communications in computer-to-computer or server-to-server applications. It is reported that backplane optical interconnects are envisioned by members within leading corporations (including IBM, Intel and Agilent Technologies) as the future of high-speed computation. These components can potentially replace copper circuitry with photons carrying digital information over fiber optic cable in CPU architecture to manage CPU-to-graphics, CPU to-memory and CPU-to-I/O device interactions that have previously operated over an internal electrical bus. On-Chip optical buses can increase performance and decrease cost. They could speed the transmission of information within an integrated circuit, among integrated circuit chips in a module, and across circuit boards at speeds unattainable with traditional metallic interconnections and bus structures. Additionally, our organic polymer material possesses the thermal stability necessary to survive Complementary Metal Oxide Semiconductor (CMOS) processing temperatures that gives it the ability to be spin-coated directly on silicon substrates. In the future, all-optical (light-switching-light) signal processing could become possible using an advanced version of our chemistry.

Photovoltaic Cells

A solar cell (also called a photovoltaic cell) is an electrical device that converts the energy of light directly into electricity by the photovoltaic effect. It is a form of photoelectric cell (in that its electrical characteristics e.g. current, voltage, or resistance vary when light is incident upon it) which, when exposed to light, can generate and support an electric current without being attached to any external voltage source. These cells are very inefficient. Organic nonlinear polymers offer potential increases in the efficiency of photovoltaic cells that could be orders of magnitude greater than LCD technology.

Medical Applications

Medical Applications for electro-optic polymers have been proposed for many varied applications, including dentistry, oncology and protein identification. Although experimental, it is believed that the successful fabrication of high-stability electro-optic polymers could open up many future applications such as these. Other medical applications such as the higher-speed transmission of medical records, X-ray and MRI scans over the Internet would be improved by the broadening of Internet bandwidth.

Satellite Reconnaissance

Satellite reconnaissance applications include a specific target market within the Department of Defense, the 14-member Intelligence Community and their contractors. Electro-optic polymers have historically been seen as attractive for potential application in this market due to the constant need for the fastest bandwidth transmission to meet the needs of national security.

Navigation Systems

Navigation systems for both advanced aerial and missile guidance require the use of electro-optic gyroscopes. These devices are currently fabricated out of lithium niobate or similar electro-optic materials; the application of electro-optic polymers would facilitate the development of more accurate and architecturally simple device designs.

Radar Applications

Radar Applications, specifically phased array radar, has been traditionally understood as a potential application for successful electro-optic material designs, along with electronic counter measure systems (ECM) systems, ultra-fast analog-to-digital conversion, LADAR, land mine detection, radio frequency photonics and spatial light modulation.

Optical Filters

Optical filters are devices that utilize optical waveguides and various other structures like ring resonators that can be made with organic nonlinear materials that can filter out a specific wavelengths from one waveguide and redirect them to a different waveguide.

Spatial Light Modulators

Spatial Light Modulators (SLMs) are optical computing devices that can be used in various recognition applications by collecting and correlating optical input to stored images in a database using complex mathematical computations based around calculated light intensity at various point on an image. Existing Liquid Crystal display technology that is accurate, but too slow for widespread adoption has hampered proliferation of these devices.

All-Optical Switches

All-optical switches are expected to be included in the future market of all-optic devices. All-optical devices convert data in the form of input light signals to a secondary light data stream. Some experts anticipate that all-optical switches will replace traditional switches used today in microprocessors. All-optical switches are expected to enable the fabrication of an entirely new high-speed generation of "polymer" based computers that operate on light instead of electricity, which in turn should significantly improve computation speeds.

Our Business Strategy

The Company revised its business strategy from a materials only approach into a dual path strategy that also includes developing devices, components and potentially sub-systems. Our economic model anticipates that our revenue stream will be derived from one or some combination of the following: (i) technology licensing for specific product application; (ii) joint venture relationships with significant industry leaders; or (iii) the production and direct sale of our own electro-optic device components. Our objective is to be a leading provider of proprietary technology and know-how in the electro-optic device market. In order to meet this objective, we intend, subject to successful testing of our technology and having available financial resources, to:

- Develop electro-optic polymer material systems and non-linear all-optical polymer material systems and photonic devices
- Continue to develop proprietary intellectual property
- Streamline our product development process
- Develop a comprehensive marketing plan
- Maintain/develop strategic relationships with government agencies, private firms, and academic institutions
- Continue to attract and retain high level science and technology personnel to our Company

Develop Electro-Optic Product Devices

We intend to utilize our proprietary optical polymer technology to create an initial portfolio of commercially feasible electro-optic polymer product devices and applications for various markets, including telecommunications and government. We expect our initial product device line to include high-speed 40Gb/s and 100Gb/s modulators and system applications.

Continue to Develop Proprietary Intellectual Property

We plan to advance our core competence in electro-optic polymer technology by continuing to develop proprietary materials, processes, designs and devices. We also plan to protect our technology by filing patent applications where appropriate, obtaining exclusive technology rights where available, and taking other appropriate steps to secure and protect our intellectual property.

Streamline Our Product Development Process

We intend to streamline our development process and to design, fabricate and test proprietary materials and potential electro-optic polymer devices in order to position our Company to take advantage of emerging market opportunities.

In 2011 we retained the services of EOvation Advisors LLC, a technology and business advisory firm founded by Dr. Frederick Leonberger, former chief technology officer at JDS Uniphase Corporation, a leading provider of communications test and measurement solutions, and optical products. Dr. Leonberger is presently a senior advisor to the Company and its Board of Directors in assisting our Company with strategic planning and the design of optical modulators that we intend to develop.

Develop a Comprehensive Marketing Plan

We are developing sales and marketing plans for our devices for implementation once we produce multiple prototype devices for the optical market. We plan to aggressively pursue sales of our potential products through the use of industry-specific sales organizations, such as electro-optic component representatives and distributors. In addition, we plan to target market leaders as initial customers and to leverage relationships with these market leaders to obtain future contracts and sales references.

Maintain/Develop Strategic Relationships with Government Agencies, Private Firms, and Academic Institutions

Since the formation of our Company, we have had numerous strategic relationships with government agencies that have provided us with funding and access to important technology. We intend to establish, re-establish or maintain our relationships with:

1. DARPA, the Defense Advance Research Project Agency by sharing the technical data and test results on our aromatic molecular materials.
2. Strategic partners ranging from micro-electronic component firms to large-scale computer companies. We believe strategic alliances and/or technology licensing will be a crucial step in commercializing our novel technologies and achieving competitive advantages.
3. The National Science Foundation, an independent federal agency created by Congress to promote the progress of science; to advance the national health, prosperity, welfare and to secure the national defense through advanced and promising new technologies.

Continue to attract and retain high-level science and technology personnel to our Company

In May 2007, we retained Dr. David F. Eaton as our Interim Chief Technology Officer and in January 2008, Dr. Eaton became our permanent Chief Technology Officer until his resignation as such in November 2011. Dr. Eaton now serves as our scientific advisor, a non-executive position. Previously, Dr. Eaton spent thirty years with DuPont where he worked in research & development, research & development management and business leadership positions. Dr. Eaton spearheaded DuPont s entry into polymer-based components for fiber optic telecommunication by founding DuPont Photonics Technology, a wholly owned subsidiary of DuPont.

In March 2008, we retained Terry Turpin as our Optical Computing expert. Mr. Turpin began his engineering career developing computing engines for the National Security Agency (NSA) where he served as Chief of the Advanced Processing Technologies Division, representing the NSA on the Tri-Service Optical Processing Committee organized by the Under Secretary of Defense for Research and Engineering.

In November 2008, we retained Howard E. Simmons, III, PhD to our technology team. Dr. Simmons is a graduate of MIT and Harvard, who spent 25 years with DuPont engaged in research & development at the corporate and business unit level. Mr. Simmons has contributed to programs in organic light emitting diodes (OLEDS), printable electronics, graphic arts, optical recording materials and fundamental polymer research and holds 26 patents.

In February 2009, we retained Anthony J. Cocuzza, PhD to our technology team. Dr. Cocuzza worked for 30 years in medicinal chemistry and brings a highly developed set of synthetic and analytical skills to our Company. A graduate of Princeton, Dr. Cocuzza spent 24 years with DuPont engaged in corporate research & development and with DuPont s joint venture with Merck.

In November 2011 we retained Louis C. Glasgow, PhD as our Chief Technology Officer. For seven years Dr. Glasgow worked at Corning, Inc. as the Director of Organic Technology. Prior to that, Dr. Glasgow spent 28 years working at DuPont in various capacities, his last being Director of Innovation. In May 2013 Dr. Glasgow resigned as Chief Technology Officer and now serves as Senior Technical Advisor to the Company, a non-executive position.

In December 2011, we retained Dr. Frederick Leonberger, PhD as our Senior Advisor. Dr Leonberger is the former Chief Technology Officer of JDS Uniphase, Inc. We previously retained EOvation Advisors LLC, a technology and business advisory firm founded by Dr. Frederick Leonberger, as a consultant to the Company. Dr. Leonberger is presently assisting our Company with strategic planning and the design of optical modulators that we intend to develop. Starting January 2013, Dr. Leonberger also serves as an advisor to our Board of Directors.

In February 2014 we retained Ashok Shenvi, PhD as part of our technology team as Senior Principal Investigator. Dr. Shenvi received his Ph.D. from Stanford University and a M.Sc. from the Indian Institute of Technology in Bombay, India. Dr. Shenvi has over 30 years of experience working in medicinal and organic chemistry at Astra Zeneca Pharmaceuticals and central research at E. I. DuPont Company. Dr. Shenvi has authored 37 scientific publications and presentations, and has been granted 20 patents.

Our Research and Development Process

Our research and development process consists of the following steps:

- We develop novel polymer materials utilizing our patented and patent pending technology to meet certain performance specifications. We then develop methods to synthesize larger quantities of such material.
- We conduct a full battery of tests at the completion of the synthesis of each new polymer material to evaluate its characteristics. We also create development strategies to optimize materials to meet specifications for specific applications.
- We integrate data from the material characterization and test results to fabricate devices. We analyze device-testing results to refine and improve fabrication processes and methods. In addition, we investigate alternative material and design variations to possibly create more efficient fabrication processes.
- We create an initial device design using simulation software. Following device fabrication, we run a series of optical and electronic tests on the device.

We have and expect to continue to make significant operating and capital expenditures for research and development. Our research and development expenses were $2,825,099 and $2,849,620 for the years ended December 31, 2015 and 2014, respectively.

Our Proprietary Products in Development

As part of a two-pronged marketing strategy, our Company is developing several optical devices, which are in various stages of development and that utilize our organic nonlinear optical materials. They include:

Ridge Waveguide Modulator

Our ridge electro-optic waveguide modulator was designed and fabricated in our Longmont, Colorado lab. The fabrication of our first in-house device is significant to our entire device program and is an important starting point for modulators that are being developed for target markets. We have multiple generations of new materials that we will soon be optimizing for this specific design. The ridge waveguide modulator represents our first commercially viable device, and targets metro networks (< 10Km) within large scale telecommunications and data communications networks and represents approximately a $300MM per year market opportunity for us.

Slot Waveguide Modulator

Our functional Silicon Organic Hybrid (SOH) slot waveguide modulator utilizes an existing modulator structure with one of our proprietary electro-optic polymer material systems as the enabling material layer, and is functional as an operating prototype device. Preliminary testing and initial data on our SOH slot waveguide modulators demonstrated several promising characteristics. The tested SOH chip had a 1-millimeter square footprint, enabling the possibility of sophisticated integrated optical circuits on a single silicon substrate. In addition, the waveguide structure was approximately 1/20 the length of a typical inorganic-based silicon photonics modulator waveguide. With the combination of our proprietary electro-optic polymer material and the extremely high optical field concentration in the slot waveguide modulator, the test modulators demonstrated less than 2.2 volts to operate. Initial speeds exceeded 30-35 GhZ in the telecom, 1550 nanometer frequency band. This is equivalent to four, 10Gb/sec, inorganic, lithium niobate modulators that would require approximately 12-16 volts to move the same amount of information. Our material also operates in the 1310 nanometer frequency band, which is suitable for data communications applications. We continued with our collaborative development of our SOH slot waveguide modulator in 2014 and have signed an agreement with the associated third party research group to continue our collaboration through 2016.

Spatial Light Modulator

We have a development program to develop a Spatial Light Modulator with an outside manufacturer, Boulder Nonlinear Systems (BNS) utilizing certain Perkinamine chromophores. A spatial modulator is a form of optical computer that can perform various advanced tasks, such as object and facial recognition, by using advanced mathematical calculations known as Fourier Transforms. Our organic nonlinear optical materials can potentially produce update rates of more than a million times per second, which is a significant improvement in processing speed over existing Liquid Crystal Display technology that updates at only 30 to 60 times per second.

100 Gbps Telecommunications Modulator

We have recently begun a second-generation design of a unique telecommunications modulator incorporating our newly developed materials in the Perkinamine family. We anticipate this modulator will be able to exceed the performance of existing legacy modulators by an order of magnitude, and will allow for improvements in the form of reduced power consumption and reduced device cost.

200 Gbps Datacomm/Telecomm Photonic Transceiver

We propose to develop multichannel integrated nanophotonic transceivers for application in data communications. The transceiver consists of a silicon photonic chip fabricated with nonlinear polymer infused modulators (SOH), multiplexers, demultiplexers, detectors and grating fiber couplers to an external light source. The CMOS-compatible optical modulators are key components for future silicon-based photonic transceivers. Our solution, the silicon-organic hybrid (SOH) platform has been proposed and is being prototyped. In the SOH approach, the optical signal is guided by a silicon waveguide while an organic cladding provides the electro-optic effect.

Other Potential Applications For Our Products

Optical Filters

We are in preliminary design and fabrication phases of development of an optical filter using our proprietary Perkinamine and PerkinamineNR materials within a SiNx photonics platform. Initial work has been done in collaboration with City University of New York, but limitations in their process capabilities have led us to seek alternate fabrication facilities, which are underway at this time.

All-Optical Switches

An all-optical switch is one that enables signals in optical fibers or networks to be selectively switched from one fiber or circuit to another. Many device designs have been developed and commercialized in today s telecom networks to effect optical switching by using mechanical or electrical control elements to accomplish the switching event. Future networks will require all-optical switches that can be more rapidly activated with a low energy and short duration

optical (light) control pulse.

Multi-Channel Optical Modem

The availability of low cost electro-optic modulators will enable low cost multichannel optical modems that will use many wavelengths in parallel and employ high efficiency modulation techniques such as QAM (quadrature amplitude modulation). Such modems would enable an order of magnitude increase in the Internet capacity of legacy fiber. Lightwave Logic is in the early feasibility stage of such a multichannel optical modem.

Our Current Strategic Partners

Boulder Non-Linear Systems

Boulder Nonlinear Systems, Inc. is a Colorado company that designs, manufactures and sells liquid crystal based photonics devices and systems. BNS builds unique analog liquid crystal on silicon modulators used in applications ranging from holographic storage to microscopic cell manipulation. Its advanced liquid crystal technology is used in telecommunications, medical instruments, defense, and manufacturing.

Our Past Government Program Participation

Our Company has been a participant in several vital government sponsored research and development programs with various government agencies that protect the interests of our country. The following is a list of some of the various divisions of government agencies that have provided us with advisory, financial and/or materials support in the pursuit of high-speed electro-optic materials. We are not partnered with, strategically related to, or financially supported by any governmental agency at this time. Our previous relationships included:

- National Reconnaissance Office (NRO)
- Properties Branch of the Army Research Laboratory on the Aberdeen Proving Grounds in Aberdeen, Maryland.
- Defense Advance Research Project Agency (DARPA)
- Naval Air Warfare Center Weapons Division in China Lake, California
- Air Force Research Laboratory at Wright-Patterson Air Force Base in Dayton, Ohio

Our Competition

The markets we are targeting for our electro-optic polymer technology are intensely competitive. Among the largest fiber-optic component manufactures are Finisar, JDSU, Oclaro, NeoPhotonics, OpLink, CyOptics. Additionally, the five largest inorganic modulator component manufacturers hold approximately 85% of the electro-optic modulator component market. They are JDSU, Sumitomo, Oclaro, Fujitsu and ThorLabs. These companies are heavily invested in the production of crystalline-based electro-optic modulator technologies, as well as the development of novel manufacturing techniques and modulator designs.

We considered GigOptix, Inc., as our primary polymer competitor. They designed and patented potentially commercially feasible electro-optic polymers and hold an exclusive license to all electro-optic polymeric technology developed at the University of Washington. GigOptix presently has a joint venture with CPqD. Subsequently, GigOptix sold a majority interest of their polymer IP to BrPhotonics based in Brazil.

We believe that through the commercialization of our technology, we will be poised to obtain a significant portion of the component manufacturing market. Electro-optic polymers demonstrate several advantages over other technologies, such as inorganic-based technologies, due to their reduced manufacturing and processing costs, higher performance and lower power requirements. Our patented organic polymers and future electro-optic devices have demonstrated significant stability advantages over our known competitor's materials.

We believe the principal competitive factors in our target markets are:

- The ability to develop and commercialize highly stable optical polymer-based materials and optical devices, including obtaining appropriate patent and proprietary rights protection.
- Lower cost, high production yield for these products.
- The ability to enable integration and implement advanced technologies.
- Strong sales and marketing, and distribution channels for access to products.

We believe that our current business planning will position our Company to compete adequately with respect to these factors. Our future success is difficult to predict because we are an early stage company with all of our potential products still in development.

Many of our existing and potential competitors have substantially greater research and product development capabilities and financial, scientific, marketing and human resources than we do. As a result, these competitors may:

- Succeed in developing products that are equal to or superior to our potential products or that achieve greater market acceptance than our potential products.
- Devote greater resources to developing, marketing or selling their products.
- Respond quickly to new or emerging technologies or scientific advances and changes in customer requirements, which could render our technologies or potential products obsolete.
- Introduce products that make the continued development of our potential products uneconomical.
- Obtain patents that block or otherwise inhibit our ability to develop and commercialize our potential products.
- Withstand price competition more successfully than we can.

- Establish cooperative relationships among themselves or with third parties that enhance their ability to address the needs of our prospective customers.
- Take advantage of acquisition or other opportunities more readily than we can.

Our Laboratory Facilities

In June 2012 we opened an internal research laboratory facility in Newark, Delaware in the Delaware Technology Park, near the University of Delaware. This lab facility enables us to synthesize and test our materials in the same facility and to accelerate our development efforts. It is equipped with state of the art equipment necessary to conduct synthetic chemistry in much more tightly controlled conditions.

In January of 2014 we moved our Corporate Headquarters, as well as our advanced optical laboratory at the same location where the necessary testing of material candidates will be performed as they emerge from our synthesis laboratory. We commenced construction of clean room at this facility during the fourth quarter of 2014, which became fully operational and functional in April 2015. This clean room enables us to expand our in-house prototype development capabilities.

Employees

We currently have 9 full-time employees and 7 part-time employees, and we retain several independent contractors on an as-needed basis. We believe that we have good relations with our employees.

Properties

Our executive and business office headquarters are located at 1831 Lefthand Circle, Suite C, Longmont, CO 80501. We coordinate our operations, optical device design, optical laboratory, thin films laboratory and clean room, and market our services from this space. Our annual base rent for this space is $47,578.

We also lease approximately 2,000 square feet of laboratory space at 1 Innovation Way, Newark, Delaware 19711, which we utilize to operate an organic synthesis and thin-films laboratory. Our annual rent for this space is approximately $71,662. We vacated our 1,400 square feet of laboratory space at 41A Germay Drive, Wilmington, Delaware during 2015.

Legal Proceedings

We are not currently a party to or engaged in any material legal proceedings and we are not aware of any litigation or threatened litigation of a material nature. However, we may be subject to various claims and legal actions arising in the ordinary course of business from time to time.

MANAGEMENT

The following table sets forth, as of the date of this prospectus, the name, age, position and term/period served of each person who serves as an executive officer, director and significant employee of our Company. There are no family relationships among any of our executive officers, directors and significant employees.

Name	Age	Position
Thomas E. Zelibor	61	Chair of the Board of Directors; Chief Executive Officer
James S. Marcelli	68	Director; President; Chief Operating Officer
Andrew J. Ashton	42	Director; Senior Vice President; Secretary
Terry Turpin	73	Optical Computing Expert(1)
William C. Pickett, III	72	Director
Joseph A. Miller	74	Director
Ronald A Bucchi	61	Director
Siraj Nour El-Ahmadi	51	Director
George L. Lauro	57	Director
Michael Lebby	54	Director

(1) Our Optical Computing and signal processing expert is not an executive officer position, but our Company anticipates that Mr. Turpin s expertise in optical computing and his respect in the optical computing community will significantly contribute to the development of our Company.

Business experience of directors, executive officers, and significant employees

Thomas E. Zelibor, Rear Admiral, USN (Ret). RADM Zelibor has served as our Chief Executive Officer and Chair of the Board of Directors (executive) since May 2012. RADM Zelibor previously served as Non-Executive Chair of the Board of Directors of our Company since October 2011, and has served as a director of our Company since July 2008. He also previously served on our Operation Committee. RADM Zelibor is in charge of the overall general management of the Company and supervision of Company policies, setting the Company s strategies, formulating and overseeing the Company s business plan, raising capital, expanding the Company s management team and the general promotion of the Company. RADM Zelibor has over twenty years of strategic planning and senior leadership experience. Since April 2011 Mr. Zelibor served as the Chief Executive Officer and President of Zelibor & Associates, LLC, a management-consulting firm. From July 2008 to April 2011, Mr. Zelibor served as the Chief Executive Officer and President of Flatirons Solutions Corp., a professional services firm that provides consulting, systems integration, systems & software engineering, and program management expertise to corporate and government clients. Prior to that time, RADM Zelibor served in the U.S. Navy in a number of positions, including as the Dean of the College of Operational and Strategic Leadership at the United States Naval War College where he was

responsible for the adoption of a corporate approach to leadership development; Director of Global Operations, United States Strategic Command; Director, Space, Information Warfare, Command and Control on the Navy staff; Department of the Navy, Deputy Chief Information Officer (CIO), Navy; Commander, Carrier Group Three and Commander, Naval Space Command.

Mr. James S. Marcelli. Mr. Marcelli has served as an officer and director of our Company since August 2008. Since May 2012 Mr. Marcelli has served as our Company s President and Chief Operating Officer. Previously, from August 2008 to April 2012, Mr. Marcelli served as our President and Chief Executive Officer. Mr. Marcelli is in charge of the day-to-day operations of our Company and its movement to a fully functioning commercial corporation, and also serves as our Company s principal financial officer. Since 2000, Mr. Marcelli has served as the president and chief executive officer of Marcelli Associates, a consulting company that offers senior management consulting, mentoring, and business development services to start-up and growth companies. Business segments Mr. Marcelli has worked with included an Internet networking gaming center, high-speed custom gaming computers, high tech manufacturing businesses and business service companies.

Mr. Andrew J. Ashton. Mr. Ashton has served as an officer and director of our Company since July 2004. Mr. Ashton has served as our Senior Vice president since April 2009. Since 2004, his assistance in the creation of the synthetic chemistry of our novel molecular architecture has been fundamental to our Company's success. His current duties include the development of chemical synthesis, providing extensive analytical support and assisting with our Company's management goals. Mr. Ashton is a skilled computer scientist and organic chemist who began his career in 1998 at the Army Research Laboratory on the Aberdeen Proving Grounds where he helped to design and implement computer interfaces for fiberglass composite analysis.

Mr. Terry Turpin. Mr. Turpin has served as our Optical Computing expert since March 2008. Since October 2006, Mr. Turpin has been a member of the UMBC College of Natural Science and Mathematics Advisory Board. Until January 2007, when Northrop Grumman Space & Mission Systems Corp. acquired Essex Corporation, Mr. Turpin was a director of Essex Corporation. Mr. Turpin remained Senior Vice President and Chief Scientist for Essex Corporation after its acquisition until April 2007. Mr. Turpin was appointed as a director of Essex Corporation in January 1997 and became its Senior Vice President and Chief Scientist in 1996. He joined Essex Corporation through a merger with SEDC where he was Vice President and Chief Scientist from September 1984 through June 1989. From December 1983 to September 1984 he was an independent consultant. From 1963 through December 1983, the National Securities Agency (NSA) employed Mr. Turpin. He was Chief of the Advanced Processing Technologies Division for ten years. He holds patents for optical computers and adaptive optical components. Mr. Turpin represented NSA on the Tri-Service Optical Processing Committee organized by the Under Secretary of Defense for Research and Engineering. He received a Bachelor of Science degree in Electrical Engineering from the University of Akron in 1966 and a Master of Science degree in Electrical Engineering from Catholic University in Washington, D.C. in 1970.

Mr. William C. Pickett. Mr. Pickett has served as a director of our Company since January 2008. Mr. Pickett enjoyed a 32 year career with E.I. DuPont de Nemours & Co., where he worked in numerous financial leadership positions, including serving from February 2002 to April 2004 as Chief Financial Officer of Invista, DuPont s $7 billion man-made fibers company, which was ultimately sold to Koch Industries, Inc. From 2005 through 2011, Mr. Pickett served on the Board of Directors of the Ronald McDonald House of Delaware. He also served as Treasurer, was a member of the Executive Committee, and chaired the Finance Committee. From 2004 through 2015, Mr. Pickett served on the Board of Trustees of Operation Warm, a not-for-profit organization, and chaired their Audit Committee. Mr. Pickett received his MBA from the Harvard Business School and a BA from Trinity College.

Dr. Joseph A. Miller, Jr. Dr. Miller has served as a director of our Company since May 10, 2011. From 2002 to May 2012, Dr. Miller served as Executive Vice President and Chief Technology Officer of Corning Incorporated, having joined Corning Incorporated in 2001 as Senior Vice President and Chief Technology Officer. Prior to joining Corning Incorporated, Dr. Miller was with E.I. DuPont de Nemours, Inc., where he served as Chief Technology Officer and Senior Vice President for Research and Development since 1994. Dr. Miller began his career with DuPont in 1966. Dr. Miller is a director and Non-executive Chairman of Nuvectra Corp. He holds a doctorate degree in Chemistry from Penn State University.

Mr. Ronald A. Bucchi. Mr. Bucchi has served as a director of our Company since June 11, 2012. Mr. Bucchi is currently a self employed C.P.A. with a specialized practice that concentrates in CEO consulting, strategic planning, mergers, acquisitions, business sales and tax. He works with domestic and international companies. Mr. Bucchi is currently a member of the board of directors of First Connecticut Bancorp, Inc. (Farmington Bank) (FBNK:NASDAQ GM), serving on Asset Liability Committee, the Governance and Loan committees in addition to chairing the Audit committee. He is currently the Treasurer and a member of the Board of Directors of the Petit Family Foundation, Inc. He has served on numerous other community boards and is past Chairman of the Wheeler Clinic and the Wheeler YMCA. He is a member of the Connecticut Society of Certified Public Accountants, American Institute of Certified Public Accountants and the National Association of Corporate Directors. Mr. Bucchi is a graduate of the Harvard Business School Executive Education program with completed course studies in general board governance, audit and

compensation and a graduate of Central Connecticut State University where he received his B.S. in Accounting.

Mr. Siraj Nour El-Ahmadi. Mr. El-Ahmadi has served as a director of our Company since October 2, 2013. Since 2004, Mr. El-Ahmadi has served as Founder, President and Chief Executive Officer of Menara Networks, a developer of innovative products and solutions that simplify layered optical transport networks. Mr. El-Ahmadi has over 17 years of experience in optical transmission in particular and the telecom industry in general. Prior to founding Menara, Mr. El-Ahmadi served as Vice President-Marketing & Product Management at Nortel where he was responsible for the OPTera LH 4000 ULR product (acquired from Qtera) that achieved over $200M in revenues in its first two years. Prior to that, Mr. El-Ahmadi was the Product Architect & Vice President of Product Management at Qtera Corporation, a successful technology start-up acquired by Nortel in 2000 for $3.25 billion. Mr. El-Ahmadi also held a Senior Manager position at Bell Northern Research and worked as a Transmission Engineer at WilTel (WorldCom) where he evaluated and deployed the world first bidirectional EDFA and bi-directional WDM transmission.
Mr. El-Ahmadi holds a BS and MS in Electrical Engineering from the University of Oklahoma, is a member of Eta Kappa Nu and is the inventor of 11 patents, issued or pending, in the area of optical communications. He has authored a number of publications and is a frequent speaker at telecom and optical networking events and conferences.

Mr. George L Lauro. Mr. Lauro has served as a director of our Company since May 12, 2014. Since 2009, Mr. Lauro has served as Founder/Partner of Alteon Capital Partners, a Venture Capital Advisory firm. Mr. Lauro has 25 years of experience as a technology entrepreneur, operating executive and venture capitalist. He was a Managing Director at Wasserstein Perella, and head of West Coast technology investing. He has led and syndicated 18 private equity financing rounds and control deals, raising over $100M equity financing for portfolio companies and completed over $1 billion in M&A transactions. Mr. Lauro began his career in the hi-tech industry holding positions primarily focused on the commercialization of emerging technologies. He served as the Director of Technology Commercialization at IBM where he was responsible for transitioning technologies from research labs to the market. Also, he was the Director of New Business Development for Motorola. Mr. Lauro has previously served on numerous corporate boards of both public and private technology companies. Mr. Lauro holds a B.S. in Electrical Engineering from Brown University, a MBA from Wharton School University of Pennsylvania, and he participated in aeronautical engineering graduate studies at MIT.

Dr. Michael Lebby. Dr. Lebby has served as a director of our Company since August 26, 2016. From June 2013 to present, Dr. Lebby has served as President and CEO of OneChip Photonics, Inc., a privately held company headquartered in Ottawa, Canada, that is a leading provider of low-cost, small-footprint, high-performance indium phosphide (InP)-based photonic integrated circuits (PICs) and PIC-based optical sub-assemblies (OSAs) for the Data Center markets. Also, Dr. Lebby presently serves as part-time full professor, and chair of optoelectronics at Glyndwr University in Wales, UK, and as a consultant to bring forward advanced materials, device, and integrated photonics technologies that will generate high margin value as products. Since 2015, Dr. Lebby has been focusing on InP-based photonic integrated circuits (PICs) and optoelectronic integrated circuits (OEICs) for the datacenter segment and has been instrumental in assembling California s proposal (via USC) to the Federal Government for an integrated photonics manufacturing institute. Dr. Lebby holds a Doctor of Engineering, a Ph.D., a MBA and a Bachelors degree, all from the University of Bradford, United Kingdom.

The Board of Directors believes that each of the Directors named above has the necessary qualifications to be a member of the board of directors. Each Director has exhibited during his prior service as a director the ability to operate cohesively with the other members of the board of directors. Moreover, the Board of Directors believes that each director brings a strong background and skill set to the Board of Directors, giving the Board of Directors as a whole competence and experience in diverse areas, including corporate governance and board service, finance, management and industry experience.

Our bylaws provide that the number of directors who constitute our Board of Directors is determined by resolution of the Board of Directors, but the total number of directors constituting the entire Board of Directors shall not be less than three or more than nine. Our Board of Directors currently consists of nine directors. On July 25, 2013, certain provisions of our bylaws were amended, including provisions relating to: (i) Classes of Directors, whereby the Board of Directors is divided into three classes, as nearly equal in number as possible, designated: Class I, Class II and Class III. Prior to the amendment, there was only one class of directors; and (ii) Terms of Office, whereby provisions were created for staggered terms with each director serving for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, that each director initially appointed to Class I shall serve for an initial term expiring at the first annual meeting of stockholders following the effectiveness of

this provision; each director initially appointed to Class II shall serve for an initial term expiring at the second annual meeting of stockholders following the effectiveness of this provision; and each director initially appointed to Class III shall serve for an initial term expiring at the third annual meeting of stockholders following the effectiveness of this provision; provided further, that the term of each director shall continue until the election and qualification of a successor and be subject to such director's earlier death, resignation or removal. Prior to the amendment, there were no staggered terms and each director served for a term of one (1) year.

Each Director of the Company holds such position until the next annual meeting of shareholders and until his successor is duly elected and qualified. The officers hold office until the first meeting of the board of directors following the annual meeting of shareholders and until their successors are chosen and qualified, subject to early removal by the board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater-than-ten percent stockholders are required by SEC regulations to furnish us with all Section 16(a) forms they file. To the best of our knowledge, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to our Company during its most recent fiscal year and Forms 5 and amendments thereto furnished to our Company with respect to its most recent fiscal year, and any written representation referred to in paragraph (b)(1) of Item 405 of Regulation S-K, all of our executive officers, directors and greater-than-ten percent stockholders complied with all Section 16(a) filing requirements with the following exception: Mr. George Lauro filed one late Form 4 to report shares he acquired directly from the Company in connection with his Operations Committee work.

Code of Ethics

Our Company has adopted a Code of Ethics and Business Conduct that applies to all of the Company s employees, including its principal executive officer and principal accounting officer. A copy of our Code of Ethics is available for review on the Investors page of our Company s website www.lightwavelogic.com. The Company intends to disclose any changes in or waivers from its Code of Ethics by posting such information on its website.

Nominating Committee

Our Board of Directors does not have a nominating committee. This is due to our development stage and smaller sized Board of Directors. Instead of having such a committee, our entire Board of Directors historically has searched for and evaluated qualified individuals to become nominees for membership on our Board of Directors. No material changes to the procedures by which our stockholders may recommend nominees to our Board of Directors has occurred since we last provided disclosure regarding these procedures in our Definitive Schedule 14A filed on April 7, 2015.

Audit Committee

Our Company has in place a separately designated standing audit committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. Our audit committee is governed by an audit committee charter, a current copy of which is available to security holders on our web site located at www.lightwavelogic.com.

Our audit committee has reviewed and discussed the audited financial statements with management and has discussed with its independent auditors the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The audit committee has received the written disclosures and the letter from its independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence, and has discussed with its independent accountant its independent accountant s independence. Based on the review and discussions described above, the audit committee recommended that the audited financial statements be included in our Annual Report on Form 10-K for the last fiscal year for filing with the Securities and Exchange Commission.

Our audit committee is comprised of Ronald A. Bucchi, William C. Pickett, III and George L. Lauro. Mr. Bucchi serves as our audit committee financial expert as that term is defined by the rules promulgated by the Securities and

Exchange Commission. Mr. Bucchi is an independent director, as defined below in Certain Relationships and Related Transactions, and Director Independence.

Risk Oversight

The Board of Directors is actively involved in the oversight of risks, including strategic, operational and other risks, which could affect our business. The Board of Directors does not have a standing risk management committee, but administers this oversight function directly through the Board of Directors as a whole, which oversee risks relevant to their respective functions. The Board of Directors considers strategic risks and opportunities and administers its respective risk oversight function by evaluating management s monitoring, assessment and management of risks, including steps taken to limit our exposure to known risks, through regular interaction with our senior management and in board and committee deliberations that are closed to members of management. The interaction with management occurs not only at formal board and committee meetings but also through periodic and other written and oral communications.

Meetings of the Board and Committees

During 2015, there were five (5) meetings of the Board of Directors. Each current director attended at least 75% of the total number of meetings of the board held in 2015. The Board of Directors also acted at times by unanimous written consent, as authorized by our bylaws and the Nevada Revised Statutes.

EXECUTIVE COMPENSATION

The table below summarizes all compensation awarded to, earned by, or paid to our named executive officers for the fiscal years ended December 31, 2015 and 2014.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	All Other Compensation	Total
		($)	($)	($)	($)	($)	($)
(a)	(b)	(c)	(d)	(e)	(f)	(i)	(j)
Thomas E. Zelibor	2015	352,440	0	0	188,402	0	540,842
CEO, Chmn. of the Board (1)	2014	301,834	0	0	78,979	0	380,813
James S. Marcelli	2015	221,317	0	0	522,716	0	744,033
President, COO, Director (2)	2014	217,160	0	0	20,425	0	237,585

1.

Pursuant to an employment agreement, effective May 1, 2012, Mr. Zelibor received an option to purchase up to 500,000 shares of common stock at an exercise price of $1.30 per share. The options vest quarterly over one year in equal installments of 125,000 shares per quarter beginning May 1, 2012. The employment agreement was amended on August 29, 2013, and effective September 1, 2013, his receives a salary of $18,750 per month. Pursuant to a new employment agreement dated March 3, 2014, Mr. Zelibor receives a salary of $25,000 per month effective January 1, 2014, a salary of $29,166.66 per month effective January 1, 2015 and an option to purchase up to 40,000 shares of common stock at an exercise price of $0.92 per share. The options vest quarterly over one year in equal installments of 10,000 beginning April 1, 2014. On July 11, 2008, Mr. Zelibor was awarded an option to purchase up to 100,000 shares of common stock at an exercise price of $1.75 per share. The option vests 25,000 shares immediately and the remaining annually over three years in equal annual installments of 25,000 shares per year beginning July 11, 2009. On November 9, 2012 the options were extended to July 10, 2015. On August 29, 2008, Mr. Zelibor was awarded an option to purchase up to 150,000 shares of common stock at an exercise price of $1.42 per share. The option vests 37,500 shares immediately and the remaining annually over three years in equal annual installments of 37,500 shares per year beginning August 29, 2009. On November 9, 2012 the options were extended to August 28, 2015. On December 13, 2010, Mr. Zelibor was awarded an option to purchase up to 100,000 shares of common stock at an exercise price of $1.00 per share. The option vests 25,000 shares immediately and the remaining annually over three years in equal annual installments of 25,000 shares per year beginning November 4, 2011. On December 19, 2011,

Mr. Zelibor was awarded an option to purchase up to 250,000 shares of common stock at an exercise price of $1.01 per share. The option vests 62,500 shares immediately and the remaining annually over three years in equal annual installments of 62,500 shares per year beginning December 19, 2011. On July 1, 2015, the options issued July 11, 2008, August 29, 2008 and December 2010 totaling 350,000 shares were cancelled, and on that same date, Mr. Zelibor was granted an option to purchase up to 350,000 shares of Company stock at an exercise price of $.70 per share that vested immediately. On November 10, 2015, Mr. Zelibor was granted an option to purchase up to 100,000 shares of Company stock at an exercise price of $.86 per share. The option vests 12,500 shares on January 1, 2016 and the remaining vest quarterly in equal installments of 12,500 shares beginning April 1, 2016. The compensation includes the amount for services rendered to the Company in his capacity as both an officer and a director.

2.

Effective August 1, 2013, Mr. Marcelli receives a salary of $17,917 per month and an option to purchase up to 100,000 shares of common stock at an exercise price of $1.00 per share. The options vest in equal installments of 25,000 options with the first installment vesting on August 1, 2013 and the remaining installments vesting quarterly commencing on October 1, 2013. Pursuant to previous employment agreements, Mr. Marcelli received, among other things, (i) an option to purchase up to 100,000 shares of common stock at an exercise price of $1.50 per share. The options vest quarterly over two years in equal installments of 12,500 shares per quarter beginning August 1, 2010; and (ii) an option to purchase up to 1,050,000 shares of common stock at an exercise price of $1.75 per share. The options vest quarterly over three years in equal installments of 87,500 shares per quarter beginning November 1, 2008. On November 9, 2012 the options were extended to July 31, 2015. Additionally, in the event Mr. Marcelli s employment terminates upon his death and the key man life insurance is in place for Mr. Marcelli, our Company will continue to pay the base cash compensation described in Mr. Marcelli s employment agreement to his estate through the remainder of term of his employment agreement, or 90 days, whichever is longer. On July 1, 2015, the options issued August 1, 2010 and August 1, 2013 totaling 1,150,000 shares were cancelled, and on that same date, Mr. Marcelli received an option to purchase up to1,150,000 shares of Company stock at an exercise price of $.70 that vested immediately.

Pursuant to an employment agreement amendment, effective August 1, 2015, Mr. Marcelli receives a salary of $18,750 per month and an option to purchase 50,000 shares of common stock. The options vest 12,500 immediately and the remainder in equal quarterly installments of 12,500 shares. The compensation includes the amount for services rendered to the Company in his capacity as both an officer and a director.

Other than as described above, at no time during the last fiscal year was any outstanding option otherwise modified or re-priced, and there was no tandem feature, reload feature, or tax-reimbursement feature associated with any of the stock options we granted to our executive officers or otherwise.

We grant stock awards and stock options to our executive officers based on their level of experience and contributions to our Company. The aggregate fair value of awards and options are computed in accordance with FASB ASC 718 and are reported in the Summary Compensation Table above in the columns (e) and (f).

The table below summarizes all of the outstanding equity awards for our named executive officers as of December 31, 2015, our latest fiscal year end.

Outstanding Equity Awards At Fiscal Year-End

	Option Awards		Stock Awards
Name	**Option**	**Option**	

(a)	Number of securities underlying unexercised options(#) exercisable (b)	Number of securities underlying unexercised options(#) unexercisable (c)	Equity incentive plan awards: number of securities underlying unexercised unearned options (#) (d)	exercise price ($) (e)	expiration date (f)	Number of shares or units of stock that have not vested (#) (g)	Market value of shares of units of stock that have not vested ($) (h)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#) (i)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested ($) (j)
Thomas E. Zelibor CEO, Chairman of the Board(1)(3)		100,000		0.86	11/09/25				
	350,000			0.70	6/30/25				
	250,000			1.01	12/19/16				
	500,000			1.30	4/30/22				
	40,000			0.92	3/4/24				
James S. Marcelli President, COO, Director(2)(3)	25,000	25,000		0.67	8/9/25				
	1,150,000			0.70	6/30/25				
	100,000			1.00	5/16/23				

(1)

On November 10, 2015, Mr. Zelibor received an option to purchase up to 100,000 shares of Company stock at an exercise price of $.86 per share. The option vests 12,500 shares on January 1, 2016 and the remaining vest quarterly in equal installments of 12,500 shares beginning April 1, 2016. On July 1, 2015, Mr. Zelibor received an option to purchase up to 350,000 shares of Company stock at an exercise price of $.70 that vested immediately. On March 4, 2014, Mr. Zelibor received an option to purchase 40,000 shares of common stock at an exercise price of $0.92 per share. The options vested quarterly over one year in equal installments of 10,000 beginning April 1, 2014. On May 1, 2012, Mr. Zelibor received an option to purchase up to 500,000 shares of common stock at an exercise price of $1.30 per share. The options vested quarterly over one year in equal installments of 125,000 shares per quarter beginning May 1, 2012. On December 19, 2011, Mr. Zelibor received an option to purchase up to 250,000 shares of common stock at an exercise price of $1.01 per share. The option vested 62,500 shares immediately and the remaining annually over three years in equal annual installments of 62,500 shares per year beginning December 19, 2011.

(2)

On August 10, 2015, Mr. Marcelli received an option to purchase 50,000 shares of common stock. The options vest 12,500 immediately and the remainder in equal quarterly installments of 12,500 shares. On July 1, 2015, Mr. Marcelli received an option to purchase up to 1,150,000 shares of Company stock at an exercise price of $.70 that vested immediately. August 1, 2013, Mr. Marcelli received an option to purchase up to 100,000 shares of common stock. The options vested in equal installments of 25,000 options with the first installment vesting on August 1, 2013 and the remaining installments vesting quarterly commencing on October 1, 2013.

(3)

In the event of a change in control of our Company, such person s options will become fully vested and/or exercisable, as the case may be, immediately prior to such change in control, and shall remain exercisable as set forth in their stock option agreement.

Compensation of Directors

Set forth below is a summary of the compensation of our directors during our December 31, 2015 fiscal year.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Thomas E. Zelibor (1)							
James S. Marcelli (1)							

Andrew J. Ashton (1)				
William C. Pickett, III (2)			180,115	180,115
Joseph A. Miller (3)			24,901	24,901
Ronald A. Bucchi, (4)			40,909	40,909
Siraj Nour El-Ahmadi (5)			68,428	68,428
George L. Lauro (6)	18,871	10,000	55,529	84,400
Michael Lebby (7)	15,581	8,387	30,518	54,486

(1)

Serves as an executive officer and a director, but receives no additional compensation for serving as a director.

(2)

On January 1, 2014, Mr. Pickett received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.715 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the remaining options vest in equal quarterly installments of 10,000 per quarter commencing on April 1, 2014. On March 4, 2015, Mr. Pickett received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.80 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the remaining options vest in 3 equal annual installments of 10,000 options per year commencing on April 1, 2015. On July 1, 2015, Mr. Pickett received an option to purchase up to 350,000 shares of Company stock at an exercise price of $.70 that vested immediately.

(3)

On May 10, 2011, Mr. Miller received an option to purchase up to 200,000 shares of Company stock at an exercise price of $1.12 that vest pursuant to the following schedule: 50,000 shares vested immediately; and the remaining options vest in 3 equal annual installments of 50,000 options per year commencing on May 10, 2012. On January 1, 2014, Mr. Miller received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.715 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the remaining options vest in equal quarterly installments of 10,000 per quarter commencing on April 1, 2014. On March 4, 2015, Mr. Miller received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.80 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the remaining options vest in 3 equal annual installments of 10,000 options per year commencing on April 1, 2015.

(4)

On June 11, 2012, Mr. Bucchi received an option to purchase up to 200,000 shares of Company stock at an exercise price of $0.90 that vest pursuant to the following schedule: 50,000 shares vested immediately; and the remaining options vest in 3 equal annual installments of 50,000 options per year commencing on June 11, 2013. On August 29, 2013, Mr. Bucchi received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.84 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the remaining options vest in equal quarterly installments of 10,000 options per quarter commencing on October 1, 2013. On January 1, 2014, Mr. Bucchi received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.715 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the remaining options vest in equal quarterly installments of 10,000 per quarter commencing on April 1, 2014. On March 4, 2015, Mr. Bucchi received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.80 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the remaining options vest in 3 equal annual installments of 10,000 options per year commencing on April 1, 2015.

(5)

On November 1, 2013, Mr. Siraj Nour El-Ahmadi received an option to purchase up to 200,000 shares of Company stock at an exercise price of $0.93 that vest pursuant to the following schedule: 50,000 shares on November 1, 2013 and the remaining options vest in equal annual installments of 50,000 options per year commencing on November 1, 2014. On January 1, 2014, Mr. Siraj Nour El-Ahmadi received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.715 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the remaining options vest in equal quarterly installments of 10,000 per quarter commencing on April 1, 2014. On March 4, 2015, Mr. Siraj Nour El-Ahmadi received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.80 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the remaining options vest in 3 equal annual installments of 10,000 options per year commencing on April 1, 2015.

(6)

During 2015 Mr. Lauro received $18,871 in cash and 12,040 shares of common stock as compensation for serving on our Operations Committee. On May 12, 2014, Mr. Lauro received an option to purchase up to 200,000 shares of Company stock at an exercise price of $0.763 that vest pursuant to the following schedule: 50,000 shares vested immediately; and the remaining options vest in 3 equal annual installments of 50,000 options per year commencing on May 12, 2015. On March 4, 2015, Mr. Lauro received an option to purchase up to 50,000 shares of Company stock at an exercise price of $0.80 that vest pursuant to the following schedule: 20,000 shares vested immediately; and the

remaining options vest in 3 equal annual installments of 10,000 options per year commencing on April 1, 2015.

(7)

During 2015 Mr. Lebby received $15,581 in cash and 12,718 shares of common stock as compensation for serving on our Operations Committee. On August 26, 2015, Mr. Lebby received an option to purchase up to 200,000 shares of Company stock at an exercise price of $0.69 that vest pursuant to the following schedule: 50,000 shares vested immediately; and the remaining options vest in 3 equal annual installments of 50,000 options per year commencing on August 26, 2016.

In the event of a change in control of our Company, all of the above person s options become fully vested and/or exercisable, as the case may be, immediately prior to such change in control, and shall remain exercisable as set forth in their stock option agreement.

Compensation Committee

Our Board of Directors currently has no standing compensation committee or committee performing similar functions. This is due to the Company s development stage, lack of business operations, the small number of executive officers involved with the Company, and the fact that the Company operates with few employees. The Company s entire Board of Directors currently participates in the consideration of executive officer and director compensation. Our Board of Directors will continue to evaluate, from time to time, whether it should appoint standing compensation committee.

Compensation Policies and Practices As They Relate To Our Risk Management

No risks arise from our Company s compensation policies and practices for our employees that are reasonably likely to have a material adverse effect on our Company.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Policies and Procedures for Related-Party Transactions

Our Company does not have any formal written policies or procedures for related party transactions, however in practice, our board of directors reviews and approves all related party transactions and other matters pertaining to the integrity of management, including potential conflicts of interest, trading in our securities, or adherence to standards of business conduct.

Director Independence

Although we are currently traded on the Over-the-Counter Markets, our Board has reviewed each of the directors relationships with the Company in conjunction with Section 121 and Part 8 (Corporate Governance Requirements) of the listing standards of the NYSE Alternext US and has affirmatively determined that five of our directors, William C. Pickett, III, Joseph A. Miller, Jr. Ronald A. Bucchi, Siraj Nour El-Ahmadi, George L. Lauro, and Michael Lebby are independent directors in that they are independent of management and free of any relationship that would interfere with their independent judgment as members of our Board of Directors. Mr. Bucchi serves as our audit committee financial expert as that term is defined by the rules promulgated by the Securities and Exchange Commission.

Our Company does not have a separately designated nominating or compensation committee or committee performing similar functions; therefore, our full Board of Directors currently serves in these capacities. Three members of our Board of Directors, Thomas E. Zelibor, James S. Marcelli and Andrew J. Ashton, are not are independent directors pursuant to the standards described above.

PRINCIPAL SHAREHOLDERS

The following table sets forth, as of March 17, 2016, the names, addresses, amount and nature of beneficial ownership and percent of such ownership of each person or group known to our Company to be the beneficial owner of more than five percent (5%) of our common stock:

Security Ownership of Certain Beneficial Owners

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (3)	% of Class Owned (4)
Frederick J. Goetz, Jr. (2)	3,319,542	5.06%
Mary Goetz (2)	4,517,306	6.88%

(1)

In care of our Company at 1831 Lefthand Circle, Suite C, Longmont, CO 80501.

(2)

Frederick J. Goetz, Jr. is Mary Goetz s son.

(3)

To our best knowledge, as of the date hereof, such holders had the sole voting and investment power with respect to the voting securities beneficially owned by them, unless otherwise indicated herein. Includes the person's right to obtain additional shares of common stock within 60 days from the date hereof.

(4)

Based on 65,591,629 shares of common stock outstanding on March 17, 2016. Does not include shares underlying: (i) options to purchase shares of our common stock under our 2007 Plan, or (ii) outstanding warrants to purchase shares of our common stock.

The following table sets forth, as of March 17, 2016, the names, addresses, amount and nature of beneficial ownership and percent of such ownership of our common stock of each of our officers and directors, and officers and directors as

a group:

Security Ownership of Management

Name and Address (1)	Amount and Nature of Beneficial Ownership (2)	% Owned (3)(4)
Thomas E. Zelibor Chief Executive Officer, Principal Executive Officer and Chmn. of the Board of Directors	1,221,824(5)	1.86%
James S. Marcelli President, Chief Operating Officer, Principal Financial Officer and Director	1,578,400(6)	2.40%
Andrew J. Ashton Senior Vice President, Secretary, and Director	2,981,667	4.54%
William C. Pickett, III Director	601,000(7)	*
Joseph A. Miller, Jr. Director	356,800(8)	*
Ronald A. Bucchi Director	567,400(9)	*
Siraj Nour El-Ahmadi Director	280,000(10)	*
George L. Lauro Director	257,727(11)	*
Michael Lebby Director	96,468(12)	*
Directors and Officers as a Group (9 Persons):	7,941,286	12.10%

* Less than 1%.

(1)

In care of our Company at 1831 Lefthand Circle, Suite C, Longmont, CO 80501.

(2)

To our best knowledge, as of the date hereof, such holders had the sole voting and investment power with respect to the voting securities beneficially owned by them, unless otherwise indicated herein. Includes the person's right to obtain additional shares of common stock within 60 days from March 17, 2016.

(3)

Based on 65,591,629 shares of common stock outstanding on March 17, 2016. Does not include shares underlying: (i) options to purchase shares of our common stock under our 2007 Plan and (ii) outstanding warrants to purchase shares of our common stock.

(4)

If a person listed on this table has the right to obtain additional shares of common stock within 60 days from March 17, 2016, the additional shares are deemed to be outstanding for the purpose of computing the percentage of class owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of any other person.

(5)

Consists of 50,124 shares of common stock, an option to purchase up to 1,165,000 shares of common stock exercisable within 60 days from March 17, 2016 and a warrant to purchase up to 6,700 shares of common stock exercisable within 60 days from March 17, 2016.

(6)

Consists of 246,700 shares of common stock, an option to purchase up to 1,325,000 shares of common stock exercisable within 60 days from March 17, 2016, and a warrant to purchase up to 6,700 shares of common stock exercisable within 60 days from March 17, 2016.

(7)

Consists of 21,000 shares of common stock and an option to purchase up to 580,000 shares of common stock exercisable within 60 days from March 17, 2016.

(8)

Consists of 13,400 shares of common stock, options to purchase up to 330,000 shares of common stock exercisable within 60 days from March 17, 2016 and warrants to purchase up to 13,400 shares of common stock exercisable within 60 days from March 17, 2016.

(9)

Consists of 174,000 shares of common stock, an option to purchase up to 380,000 shares of common stock exercisable within 60 days from March 17, 2016 and warrants to purchase up to 13,400 shares of common stock exercisable within 60 days from March 17, 2016. Mr. Bucchi disclaims beneficial ownership of 53,000 shares held by his spouse.

(10)

Consists of an option to purchase up to 280,000 shares of common stock exercisable within 60 days from March 17, 2016.

(11)

Consists of 27,727 shares of common stock and options to purchase up to 230,000 shares of common stock exercisable within 60 days from March 17, 2016.

(12)

Consists of 16,468 shares of common stock and an option to purchase up to 80,000 shares of common stock exercisable within 60 days from March 17, 2016.

We are not aware of any arrangements that could result in a change of control.

THE PRIVATE PLACEMENT

On December 30, 2015 (the Closing Date), we completed a private placement Offering solely to accredited investors of Units, with each Unit consisting of 82,866 shares of the Company s Common Stock, and a Warrant to purchase 82,866 shares of Common Stock at $0.80 per share, for $50,000 per Unit, or approximately $0.60 per share of common stock. In total, the Company sold 48 Units for total proceeds to the Company in the Offering equal to $2,400,000.

Immediately prior to the commencement of the Offering, the Company had 61,253,780 shares issued and outstanding, and after the issuance of 3,977,568 shares in the aggregate pursuant to the Offering, or 6.10% of the total issued and outstanding immediately prior to the commencement of such Offering, the Company had 65,591,629 shares issued and outstanding as of March 17, 2016. The Company sold 3,977,568 Warrants in the Offering, which, for the avoidance of any doubt, were a part of the Units sold.

In connection with the Offering, each investor executed a subscription agreement which contains, among other things, registration rights which required us to file a registration statement within sixty (60) calendar days from the Closing Date, register the common stock and the shares of common stock underlying the Warrants by filing a registration statement with the SEC (of which this prospectus is a part).

The Company shall use commercially reasonable efforts to keep the registration statement effective pursuant to Rule 415 promulgated under the Securities Act and available for sales of all of the securities registered at all times until the date as of which selling securityholder may sell all of the registrable securities without restriction pursuant to the last sentence of Rule 144(b)(1)(i) promulgated under the Securities Act (or successor thereto).

The Warrants shall expire on the fifth (5th) anniversary of the Closing Date, and may be partially exercised. If at any time after the six month anniversary of the Closing Date, or any successor provision then in effect, there is no effective registration statement registering, or no current prospectus available for, the resale of the shares of common stock underlying the Warrant by the holder, then the Warrant may also be exercised, in whole or in part, solely with respect to such unregistered shares of common stock, at such time by means of a "cashless exercise" in accordance with the formula set forth in the Warrant.

In case the Company shall (i) pay a dividend in its common stock or make a distribution in its common stock, (ii) subdivide its outstanding common stock into a greater number of shares, (iii) combine its outstanding common stock into a smaller number of shares (including a recapitalization in connection with any consolidation or merger), then the exercise price on the record date of such division or the effective date of such action shall be adjusted by multiplying

such exercise price by a fraction, the numerator of which is the number of shares of common stock outstanding immediately before such event and the denominator of which is the number of shares of common stock outstanding immediately after such event and the number of shares of common stock for which the Warrant may be exercised immediately before such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the exercise price immediately before such event and the denominator of which is the exercise price immediately after such event.

In the case of any consolidation or merger of the Company with or into another corporation (other than any consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification of the outstanding shares of Common Stock) or the conversion of such outstanding shares of common stock into shares or other stock or other securities or property, or the liquidation, sale or transfer of the property of the Company as an entity or substantially as an entirety and for other unusual events, there shall be deliverable upon exercise of the Warrant (in lieu of the number of shares of common stock theretofore deliverable) the number of shares of stock or other securities or property to which a holder of the number of shares of common stock which would otherwise have been deliverable upon the exercise of this Warrant would have been entitled upon such action if this Warrant had been exercised immediately prior to such action.

The Offering was made directly by us and no underwriter or placement agent was engaged by us in connection with the Offering.

THE LINCOLN PARK TRANSACTION

General

On January 29, 2016, the Company entered into the Purchase Agreement with Lincoln Park pursuant to which Lincoln Park agreed to purchase from us up to $20,000,000 of our common stock (subject to certain limitations) from time to time over a 36-month period. In connection with the Financing, the Company also entered into a registration rights agreement with Lincoln Park (RRA) whereby the Company agreed to file a registration statement, of which this prospectus is a part, with the SEC covering the shares of the Company s common stock that may be issued to Lincoln Park under the Purchase Agreement.

Now that the registration statement, of which this prospectus is a part, is declared effective, the Company may, from time to time and at its sole discretion, direct Lincoln Park to purchase up to 100,000 shares of our common stock on any such business day, provided that in no event shall Lincoln Park purchase more than $500,000 worth of our common stock on any single business day, plus an additional accelerated amount under certain circumstances. Except as described in this prospectus, there are no trading volume requirements or restrictions under the Purchase Agreement, and we will control the timing and amount of any sales of our common stock to Lincoln Park. The purchase price of the up to 100,000 shares that may be sold to Lincoln Park under the Purchase Agreement on any business day will be based on the market price of our common stock immediately preceding the time of sale as computed under the Purchase Agreement without any fixed discount. The purchase price per share will be equitably adjusted for any reorganization, recapitalization, non-cash dividend, forward or reverse stock split, or other similar transaction occurring during the business days used to compute such price. We may at any time in our sole discretion terminate the Purchase Agreement without fee, penalty or cost upon one business day s notice.

The Purchase Agreement contains customary representations, warranties, covenants, closing conditions and indemnification and termination provisions by, among and for the benefit of the parties. Lincoln Park has covenanted not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of the Company s common stock.

In consideration for entering into the Purchase Agreement and concurrently with its execution, the Company issued to Lincoln Park, 350,000 shares of common stock as a commitment fee and shall issue up to 650,000 shares pro rata, which commitment fee shares are also being registered hereunder, when and if, Lincoln Park purchases at the Company s discretion the $20,000,000 aggregate commitment. For example, if we elect, at our sole discretion, to require Lincoln Park to purchase $50,000 of our stock then we would issue 1,625 additional commitment shares, which is the product of $50,000 (the amount we have elected to sell) divided by $20,000,000 (total amount we can sell Lincoln Park pursuant to the Purchase Agreement multiplied by 650,000 (the total number of additional commitment shares). The additional commitment shares will only be issued pursuant to this formula as and when we elect at our

discretion to sell stock to Lincoln Park. Lincoln Park may not assign or transfer its rights and obligations under the Purchase Agreement. The Purchase Agreement may be terminated by the Company at any time at its discretion without any cost to the Company.

The prospectus supplement also may add, update or change information contained in this prospectus or in documents we have incorporated by reference into this prospectus. However, no prospectus supplement will fundamentally change the terms that are set forth in this prospectus or offer a security that is not registered and described in this prospectus at the time of its effectiveness.

Purchase of Shares Under the Purchase Agreement

Under the Purchase Agreement, on any business day selected by us, we may direct Lincoln Park to purchase up to 100,000 shares of our common stock on any such business day so long as one business day has passed since the last purchase. On any day that the closing sale price of our common stock is not below $1.00 the purchase amount may be increased, at our sole discretion, to up to 150,000 shares per purchase and on any day that the closing sale price of our common stock is not below $1.50 the purchase amount may be increased, at our sole discretion, to up to 200,000 shares per purchase, at our sole discretion, to up to $500,000 per purchase. The purchase price per share for each such Regular Purchase will be equal to the lower of:

- the lowest sale price for our common stock on the purchase date of such shares; or
- the arithmetic average of the three lowest closing sale prices for our common stock during the 12 consecutive business days ending on the business day immediately preceding the purchase date of such shares.

In addition to Regular Purchases described above, we may also direct Lincoln Park, on any business day on which we have properly submitted a Regular Purchase notice, to purchase an additional amount of our common stock, which we refer to as an Accelerated Purchase, not to exceed the lesser of:

- 30% of the aggregate shares of our common stock traded during normal trading hours on the purchase date; and
- two times the number of purchase shares purchased pursuant to the corresponding Regular Purchase.

The purchase price per share for each such Accelerated Purchase will be equal to the lower of:

- 95% of the volume weighted average price during (i) the entire trading day on the purchase date, if the volume of shares of our common stock traded on the purchase date has not exceeded a volume maximum calculated in accordance with the Purchase Agreement, or (ii) the portion of the trading day of the purchase date (calculated starting at the beginning of normal trading hours) until such time at which the volume of shares of our common stock traded has exceeded such volume maximum; or
- the closing sale price of our common stock on the purchase date.

In the case of both Regular Purchases and Accelerated Purchases, the purchase price per share will be equitably adjusted for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction occurring during the business days used to compute the purchase price.

Other than as set forth above, there are no trading volume requirements or restrictions under the Purchase Agreement, and we will control the timing and amount of any sales of our common stock to Lincoln Park.

Events of Default

Events of default under the Purchase Agreement include the following:

- the effectiveness of the registration statement of which this prospectus forms a part lapses for any reason (including, without limitation, the issuance of a stop order), or any required prospectus supplement and accompanying prospectus are unavailable for the resale by Lincoln Park of our common stock offered hereby, and such lapse or unavailability continues for a period of 10 consecutive business days or for more than an aggregate of 30 business days in any 365-day period;

- suspension by our principal market of our common stock from trading for a period of one business day;
- the de-listing of our common stock from our principal market, provided our common stock is not immediately thereafter trading on the New York Stock Exchange, the NASDAQ Global Market, the NASDAQ Global Select Market, the NASDAQ Capital Market, the NYSE MKT, the NYSE Arca, or the OTCQX operated by the OTC Markets Group, Inc. (or nationally recognized successor thereto);
- the transfer agent s failure for three business days to issue to Lincoln Park shares of our common stock which Lincoln Park is entitled to receive under the Purchase Agreement;
- any breach of the representations or warranties or covenants contained in the Purchase Agreement or any related agreement which has or which could have a material adverse effect on us subject to a cure period of five business days;
- any voluntary or involuntary participation or threatened participation in insolvency or bankruptcy proceedings by or against us; or
- if at any time we are not eligible to transfer our common stock electronically or a material adverse change in our business, financial condition, operations or prospects has occurred.

Lincoln Park does not have the right to terminate the Purchase Agreement upon any of the events of default set forth above. During an event of default, all of which are outside of Lincoln Park s control, shares of our common stock cannot be sold by us or purchased by Lincoln Park under the Purchase Agreement.

Our Termination Rights

We have the unconditional right, at any time, for any reason and without any payment or liability to us, to give notice to Lincoln Park to terminate the Purchase Agreement. In the event of bankruptcy proceedings by or against us, the Purchase Agreement will automatically terminate without action of any party.

No Short-Selling or Hedging by Lincoln Park

Lincoln Park has agreed that neither it nor any of its affiliates shall engage in any direct or indirect short-selling or hedging of our common stock during any time prior to the termination of the Purchase Agreement.

Effect of Performance of the Purchase Agreement on Our Stockholders

All 5,000,000 shares registered in this offering which may be sold by Lincoln Park pursuant to the Purchase Agreement are expected to be freely tradable. It is anticipated that such shares registered in this offering will be sold over a period of up to 36 months commencing shortly after April 7, 2016 (the date that the registration statement of which this prospectus is a part becomes effective). The sale by Lincoln Park of a significant amount of shares registered in this offering at any given time could cause the market price of our common stock to decline and to be highly volatile. Lincoln Park may ultimately purchase all, some or none of the 4,650,000 shares of common stock registered in this offering which are not commitment shares. If we sell these shares to Lincoln Park, Lincoln Park may sell all, some or none of such shares. Therefore, sales to Lincoln Park by us under the Purchase Agreement may result in substantial dilution to the interests of other holders of our common stock. In addition, if we sell a substantial number of shares to Lincoln Park under the Purchase Agreement, or if investors expect that we will do so, the actual sales of shares or the mere existence of our arrangement with Lincoln Park may make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect such sales. However, we have the right to control the timing and amount of any sales of our shares to Lincoln Park and the Purchase Agreement may be terminated by us at any time at our discretion without any cost to us.

Pursuant to the terms of the Purchase Agreement, we have the right, but not the obligation, to direct Lincoln Park to purchase up to $20,000,000 of our common stock. Depending on the price per share at which we sell our common stock to Lincoln Park, we may be authorized to issue and sell to Lincoln Park under the Purchase Agreement more shares of our common stock than are offered under this prospectus. If we choose to do so, we must first register for resale under the Securities Act any such additional shares, which could cause additional substantial dilution to our stockholders. The number of shares ultimately offered for resale by Lincoln Park under this prospectus is dependent upon the number of shares we direct Lincoln Park to purchase under the Purchase Agreement.

The following table sets forth the amount of gross proceeds we would receive from Lincoln Park from our sale of shares to Lincoln Park under the Purchase Agreement at varying purchase prices:

Assumed Average	**Number of**	**Percentage of**	**Proceeds from the Sale**

Purchase Price Per Share	Registered Shares to be Issued if Full Purchase (1)(2)	Outstanding Shares After Giving Effect to the Issuance to Lincoln Park (3)	of Shares to Lincoln Park Under the $20M Purchase Agreement
$0.50	4,065,000	5.84%	$2,000,000
$0.60(4)	4,078,000	5.85%	$2,240,000
$1.00	4,130,000	5.92%	$4,000,000
$2.00	4,260,000	6.10%	$8,000,000
$3.00	4,390,000	6.27%	$12,000,000
$5.00	4,650,000	6.62%	$20,000,000

(1) Although the Purchase Agreement provides that we may sell up to $20,000,000 of our common stock to Lincoln Park, we are only registering 5,000,000 shares under this prospectus, inclusive of the 350,000 commitment shares, which may or may not cover all the shares we ultimately sell to Lincoln Park under the Purchase Agreement, depending on the purchase price per share. As a result, we have included in this column only those shares that we are registering in this offering including the applicable additional commitment shares issuable to Lincoln Park.

(2) The number of registered shares to be issued excludes the 350,000 commitment shares because no proceeds will be attributable to such commitment shares.

(3) The denominator is based on 65,591,629 shares outstanding as of March 17, 2016, adjusted to include the 350,000 shares issued to Lincoln Park as commitment shares in connection with this offering and the number of shares set forth in the adjacent column which we would have sold to Lincoln Park at the applicable assumed average purchase price per share. The numerator does not include the 350,000 shares issued to Lincoln Park as commitment shares in connection with this offering, and is based on the number of shares registered in this offering to be issued under the Purchase Agreement which includes the additional commitment shares issued pro rata as up to $20,000,000 of our common stock is purchased by Lincoln Park at the applicable assumed purchase price per share set forth in the adjacent column. The number of shares in such column does not include shares that may be issued to Lincoln Park under the Purchase Agreement which are not registered in this offering.

(4) The closing sale price of our shares on March 17, 2016.

SELLING SECURITYHOLDERS

The shares of common stock being offered by the selling securityholders are those previously issued pursuant to (a) the December 30, 2015 private placement and those which underlie Warrants which were issued pursuant to such private placement, and (b) Lincoln Park pursuant to the Purchase Agreement. We are registering these shares of common stock in order to permit the selling securityholders to offer the shares for resale from time to time. Lincoln Park purchased shares in the Offering and accordingly, may resell shares pursuant to the Offering and pursuant to the shares being registered hereunder pursuant to the Purchase Agreement.

None of the selling securityholders are licensed broker-dealers or affiliates of licensed broker-dealers unless otherwise stated in the Plan of Distribution.

Except as otherwise set forth in the footnotes herein below, neither the selling securityholders nor any of their affiliates have held a position or office, or had any other material relationship, with us within the past three years.

We do not know when or in what amounts the selling securityholders may offer shares for sale. The selling securityholders may elect not to sell any or all of the shares offered by this prospectus. Because the selling securityholders may offer all, some or none of the shares, we cannot estimate the number of the shares that will be held by the selling securityholders after completion of this offering. However, for purposes of this table, we have assumed that, after completion of the offering, all of the shares covered by this prospectus will be sold by the selling securityholders.

The following table presents information regarding the selling securityholders. The information concerning beneficial ownership has been taken from our stock transfer records and information provided by the selling securityholders and is dated as of March 17, 2016. Except as otherwise set forth in the footnotes herein below, all of the shares beneficially owned by the selling securityholders before the offering were shares issued pursuant to the private placement described in the section herein entitled "The Private Placement" and shares which underlie Warrants issued pursuant to such private placement. Beneficial ownership has been calculated in accordance with the rules of the SEC, which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities and include shares of common stock issuable pursuant to the exercise of stock options or warrants that are either immediately exercisable or exercisable within 60 days of March 17, 2016.

Selling Securityholders	**Shares**	**Percentage of**	**Number of**	**Percentage of**

	Beneficially Owned Before Offering(2)	Outstanding Shares Beneficially Owned Before Offering (%)	Shares being Registered/to be Sold in the Offering	Outstanding Shares Beneficially Owned After Offering (%)(3)
Lincoln Park Capital Fund, LLC (1)	4,457,963	4.99	6,657,320	2.8
Donald Pyle	1,350,038	2.02	497,196	1.28
Ondek Investments(4)	857,732	1.29	165,732	*
Richard O'Halloran	232,732	*	165,732	*
Luc Jansen	248,598	*	248,598	0
Michael Ramone(5)	299,732	*	165,732	*
Marc de Nil	165,732	*	165,732	0
Nancy G. Hart	165,732	*	165,732	0
David Malatesta	898,598	1.35	248,598	*
Dan Malatesta	598,598	1.00	248,598	*
Edward Rone(6)	92,866	*	82,866	*

Selling Securityholders	Shares Beneficially Owned Before Offering(2)	Percentage of Outstanding Shares Beneficially Owned Before Offering (%)	Number of Shares being Registered/to be Sold in the Offering	Percentage of Outstanding Shares Beneficially Owned After Offering (%)(3)
Fernand Frankignoul	181,598	*	165,732	*
Marc Waeterschoot	331,464	*	331,464	0
Marco Beenen	113,566	*	82,866	*
David Liu	299,732	*	165,732	*
Andrew Kolenda	453,332	1.00	165,732	*
Jan Serrien	108,433	*	82,866	*
Didier Schepens	82,866	*	82,866	0
Steve Koerselman	165,732	*	165,732	0
Thomas J. Dunn	331,464	*	331,464	0
Susan Haskell(7)	420,732	*	165,732	*
Mary Haskell(7)	165,732	*	165,732	0
Thomas Collentine	193,161	*	165,732	*
Craig Anthony Labus Revocable Trust(8)	82,866	*	82,866	0
Voshel Investments LLC(9)	312,792	*	165,732	*
Tolfan Ventures LLC(9)	497,196	1.00	497,196	0
Kevin J. Sweeney	415,732	1.00	165,732	*

Elysee Development Corporation	662,928	1.00	662,928	0
Harry William Bell Jr.(10)	497,196	*	331,464	0
Donna B. Bell(11)	497,196	*	165,732	0

* Less than one percent (1%).

(1) Josh Scheinfeld and Jonathan Cope, the principals of Lincoln Park, are deemed to be beneficial owners of all of the shares of common stock owned by Lincoln Park. Messrs. Scheinfeld and Cope have shared voting and disposition power over such shares being offered under this prospectus. Represents: (i) 655,633 shares of our common stock previously purchased by Lincoln Park and not registered in this Offering, (ii) 350,000 shares of our common stock, which are registered hereby, issued to Lincoln Park as a fee for its commitment to purchase shares of our common stock under the Purchase Agreement (iii) 828,660 shares of our common stock and 828,660 Warrants, which are registered in this Offering, purchased by Lincoln Park in the private placement and (iv) 1,795,010 warrants to purchase common stock previously acquired by Lincoln Park, that are not registered hereby and are subject to blocker provisions which restrict the exercise of such instrument if, as a result of such exercise, Lincoln Park, the holder, together with its affiliates and any other person whose beneficial ownership of common stock would be aggregated with Lincoln Park for purposes of Section 13(d) of the Exchange Act, would cause Lincoln Park to beneficially own in excess of 4.99% of our then issued and outstanding shares of common stock (including the shares of common stock issuable upon such exercise), as such percentage ownership is determined in accordance with the terms of each warrant or preferred shares. Any warrant or preferred that is not currently exercisable because of a blocker are not deemed to be beneficially owned by Lincoln Park. See the description under the heading The Lincoln Park Transaction for more information about the Purchase Agreement. Lincoln Park invested in several private placements conducted by the Company since February 2013. In June 2013, the Company and Lincoln Park executed a purchase agreement for up to $20,000,000 in shares of common stock and a registration rights agreement in connection therewith, both of which were terminated as of February 1, 2016.

(2) Includes shares of common stock and warrants in the private placement.

(3) The denominator is based on 65,591,629 shares outstanding as of March 17, 2016, adjusted to include the 350,000 shares issued to Lincoln Park as commitment shares in connection with the Purchase Agreement.

(4) William T. Ondek is deemed to be the beneficial owner of all of the shares of common stock owned by Ondek Investments. Mr. Ondek has sole voting and disposition power over such shares being offered under this prospectus.

(5) Includes 134,000 shares owned by Michael Ramone and Lisa Ramone as joint tenants.

(6) Includes 10,000 shares owned by Linda Rone. Mr. Rone disclaims beneficial ownership of 10,000 shares held by his spouse.

(7) Mary Haskell disclaims beneficial ownership of the shares owned by Susan Haskell and Susan Haskell disclaims beneficial ownership of the shares owned by Mary Haskell.

(8) Craig Anthony is deemed to be the beneficial owner of all of the shares of common stock owned by Craig Anthony Labus Revocable Trust. Mr. Anthony has sole voting and disposition power over such shares being offered under this prospectus.

(9) Gerald Nudo is deemed to be the beneficial owner of all of the shares of common stock owned by Voshel Investments LLC. Mr. Nudo has sole voting and disposition power over such shares being offered under this prospectus.

(10) John Murphy is deemed to be the beneficial owner of all of the shares of common stock owned by Tolfan Ventures LLC. Mr. Murphy has sole voting and disposition power over such shares being offered under this prospectus.

(11) Includes 165,732 shares and a warrant to purchase 165,732 shares purchased by Harry William Bell Jr., and 82,866 shares and a warrant to purchase 82,866 shares purchased by Donna Bell. Mr. Bell disclaims ownership of the shares owned by Ms. Bell and Ms. Bell disclaims ownership of the shares owned by Mr. Bell.

DESCRIPTION OF SECURITIES

As of the date of this prospectus, our articles of incorporation authorizes us to issue 250,000,000 shares of common stock, par value $0.001 per share, and 1,000,000 shares of preferred stock, par value $0.001 per share. As of March 17, 2016, 65,591,629 shares of common stock were outstanding and no shares of preferred stock were outstanding. Our articles of incorporation were amended on June 8, 2015 to increase our authorized shares of common stock to 250,000,000 from 100,000,000.

As of March 17, 2016, we also had outstanding (a) options to purchase 6,754,500 shares of our common stock pursuant to our 2007 Employee Stock Plan, of which 6,113,875 have vested as of the date of this prospectus, at a weighted average exercise price of $0.84 per share and (b) warrants to purchase an aggregate of 12,263,867 shares of our common stock (including 3,977,568 shares underlying the warrants issued pursuant to this private placement), of which 12,157,611 have vested as of the date of this prospectus, at a weighted average exercise price of $0.96 per share.

The following summary description of our capital stock is based on the provisions of our articles of incorporation as well as our bylaws and the applicable provisions of the Nevada Revised Statutes. This information is qualified entirely by reference to the applicable provisions of our articles of incorporation, as amended to date, our bylaws, as amended to date and the Nevada Revised Statutes. For information on how to obtain copies of our articles of incorporation and bylaws, which are exhibits to the registration statement of which this prospectus is a part, see "Where You Can Find Additional Information".

Common Stock

Each outstanding share of common stock is entitled to one vote on all matters to be submitted to a vote of the stockholders. Holders do not have preemptive rights, so we may issue additional shares that may reduce each holder's voting and financial interest in our Company. Cumulative voting does not apply to the election of directors, so holders of more than 50% of the shares voted for the election of directors can elect all of the directors. All elections for directors shall be decided by a plurality vote; all other questions shall be decided by majority vote except as otherwise provided by Nevada Statutes. Our bylaws permit the holders of the same percentage of all stockholders entitled to vote at a meeting to take action by written consent without a meeting.

Holders of common stock are entitled to receive dividends when, as and if declared by the board of directors out of funds legally available therefor. In the event of liquidation, dissolution or winding up of our Company, holders are entitled to share ratably in all assets remaining available for distribution to them after payment of liabilities and after

provision has been made for each class of stock, if any, having preference over the common stock. Holders do not have any conversion, redemption provisions or other subscription rights. All of the outstanding shares of common stock are fully paid and non-assessable.

Preferred Stock

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

2007 Employee Stock Plan

The principal terms and provisions of the 2007 Plan are summarized below. As a summary, the description below is not a complete description of all the terms of the 2007 Plan and is qualified in its entirety by reference to the full text of the 2007 Plan.

Types of Awards

Both incentive stock options, or ISOs, and nonqualified stock options, or NSOs, and stock grants and stock purchase rights may be granted under the 2007 Plan. ISOs receive favorable tax treatment on exercise, and may receive favorable tax treatment on a qualifying disposition of the underlying shares. However, ISOs must comply with certain requirements regarding exercise price, maximum term and post termination exercise period, and must be issued under a stockholder-approved plan. NSOs are not subject to these requirements, nor may they receive this favorable tax treatment upon exercise.

Administration

The 2007 Plan will be administered by either the Board of Directors of the Company or a Stock Plan Committee (Committee) appointed by the Board of Directors.

Eligibility

Awards under the 2007 Plan may only be made as follows: ISOs may be granted to any employee of the Company. Officers and directors of the Company who are not employees may not be granted ISOs under the Plan. Non-Qualified Options, stock grants and authorizations to make stock purchases may be granted to any director whether or not an employee), officer, employee or consultant of the Company.

Number of Shares

The aggregate number of shares that may be issued pursuant to the 2007 Plan is 10,000,000, subject to adjustment as described below.

Adjustments

In the event of a subdivision of the outstanding common stock, a declaration of a dividend payable in shares of common stock, a combination or consolidation of the outstanding common stock into a lesser number of shares of common stock, a recapitalization, a reclassification or a similar occurrence, the Committee shall make appropriate adjustments, subject to the limitations set forth in the 2007 Plan.

Transferability

No ISO shall be assignable or transferable by the grantee except by will or by the laws of descent and distribution, and during the lifetime of the grantee each ISO shall be exercisable only by him. All other awards under the 2007 Plan shall be freely transferable subject to certain limitations imposed by the 2007 Plan, when applicable.

Termination of Service

Each option shall set forth the extent to which the optionee shall have the right to exercise their option following termination of the optionee's employment with the Company. Such provisions shall be determined in the sole discretion of the Board of Directors or Committee, and need not be uniform among all options issued pursuant to the Plan. Notwithstanding the foregoing, and to the extent required by applicable law, each option shall provide that the optionee shall have the right to exercise the vested portion of any option held at termination for at least ninety (90) days following termination of employment with the Company for any reason, and that the optionee shall have the right to exercise the option for at least twelve (12) months if the optionee's employment terminates due to death or disability.

Amendment and Termination

The 2007 Plan, as set forth herein, became effective on October 1, 2007, the date of its adoption by the Board of Directors, subject to the approval of the holders of a majority of the outstanding shares of common stock of the Company within 12 months therefrom. Unless sooner terminated pursuant to the terms of the 2007 Plan, the 2007 Plan will terminate on September 30, 2016. The Board of Directors may terminate or amend the 2007 Plan at any time except that, the holders of a majority of the outstanding shares of common stock must approve certain amendments. Except as provided for in the 2007 Plan, the Board of Directors or stockholders cannot alter or impair the rights of an optionee, without his consent, under any award previously granted to him under the 2007 Plan.

Warrants

As of March 17, 2016, there are outstanding warrants to purchase an aggregate of 12,263,867 shares of our common stock (including 3,977,568 shares underlying the warrants issued pursuant to the December 30, 2015 private placement), of which 12,157,611 have vested as of March 17, 2016, at a weighted average exercise price of $0.96 per share.

Nevada Anti-Takeover Law and Charter and Bylaws Provisions

Nevada Revised Statutes sections 78.378 to 78.3793 provide state regulation over the acquisition of a controlling interest in certain Nevada corporations unless the articles of incorporation or bylaws of the corporation provide that the provisions of these sections do not apply. Our articles of incorporation and bylaws do not state that these provisions do not apply. The statute creates a number of restrictions on the ability of a person or entity to acquire control of a Nevada company by setting down certain rules of conduct and voting restrictions in any acquisition attempt, among other things. The statute is limited to corporations that are organized in the state of Nevada and that have 200 or more shareholders, at least 100 of whom are shareholders of record and residents of the State of Nevada; and does business in the State of Nevada directly or through an affiliated corporation. Because of these conditions, the statute does not apply to our Company.

Provisions of our Articles of Incorporation and our Bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our Articles of Incorporation and our Bylaws (i) provide that the Bylaws may be altered, amended or repealed and new Bylaws may be adopted only by the board of directors, (ii) provide that the authorized number of directors, which may not be less than three or more than nine, may be changed only by resolution of the board of directors, (iii) permit our board of directors to issue up to 1,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in our control and (iv) our Articles of Incorporation provide that the shareholders shall not have pre-emptive rights to acquire unissued shares of the stock of the Company.

Transfer Agent

Our transfer agent is Broadridge Corporate Issuer Solutions, Inc., located at 44 W Lancaster Ave., Ardmore, Pennsylvania 19003, telephone number (610) 649-7300 and facsimile number (610) 649-7302.

OTC Markets (OTCQB)

Our common stock is quoted on the OTC Markets (OTCQB) under the trading symbol "LWLG".

69

PLAN OF DISTRIBUTION

This prospectus relates to the resale of up to 12,955,136 shares of our common stock by the selling securityholders named herein, which includes 3,977,568 shares previously issued to selling stockholders in the December 30, 2015 Offering, 3,977,568 shares of common stock underlying Warrants held by such selling securityholders, and 5,000,000 shares of common stock, 350,000 shares of which were previously issued to Lincoln Park and 4,650,000 shares which may be issued to Lincoln Park under the Purchase Agreement.

The Private Placement

Selling securityholders named herein and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of our common stock covered hereby on the principal trading market or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. Such selling securityholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- in transactions through broker-dealers that agree with the selling securityholders to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

Such selling securityholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by such selling securityholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling securityholders (or, if any broker-dealer acts as

agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the common stock or interests therein, such selling securityholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. Such selling securityholders may also sell shares of common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. Such selling securityholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

Such selling securityholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. No such selling securityholder has informed the Company that it has any written or oral agreement or understanding, directly or indirectly, with any person to distribute the common stock. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the shares.

Because such selling securityholders may be deemed to be "underwriters" within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. No selling securityholder has advised us that there is an underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by such selling securityholders.

The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares of common stock covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, such selling securityholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the selling securityholders or any other person. We will make copies of this prospectus available to the selling securityholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

The Lincoln Park Transaction

5,000,000 shares of our common stock may be offered by this prospectus by Lincoln Park pursuant to the Purchase Agreement. The common stock may be sold or distributed from time to time by Lincoln Park directly to one or more purchasers or through brokers, dealers, or underwriters who may act solely as agents at market prices prevailing at the time of sale, at prices related to the prevailing market prices, at negotiated prices, or at fixed prices, which may be changed. The sale of the common stock offered by this prospectus could be affected in one or more of the following methods:

- ordinary brokers transactions;
- transactions involving cross or block trades;

- through brokers, dealers, or underwriters who may act solely as agents;
- at the market into an existing market for the common stock;
- in other ways not involving market makers or established business markets, including direct sales to purchasers or sales effected through agents;
- in privately negotiated transactions; or
- any combination of the foregoing.

In order to comply with the securities laws of certain states, if applicable, the shares may be sold only through registered or licensed brokers or dealers. In addition, in certain states, the shares may not be sold unless they have been registered or qualified for sale in the state or an exemption from the state s registration or qualification requirement is available and complied with.

Lincoln Park is an underwriter within the meaning of Section 2(a)(11) of the Securities Act.

Lincoln Park has informed us that it intends to use an unaffiliated broker-dealer to effectuate all sales, if any, of the common stock that it may purchase from us pursuant to the Purchase Agreement. Such sales will be made at prices and at terms then prevailing or at prices related to the then current market price. Each such unaffiliated broker-dealer will be an underwriter within the meaning of Section 2(a)(11) of the Securities Act. Lincoln Park has informed us that each such broker-dealer will receive commissions from Lincoln Park that will not exceed customary brokerage commissions. In compliance with the guidelines of the Financial Industry Regulatory Authority, Inc., or FINRA, the maximum consideration or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate amount of the securities offered pursuant to this prospectus.

Brokers, dealers, underwriters or agents participating in the distribution of the shares as agents may receive compensation in the form of commissions, discounts, or concessions from Lincoln Park and/or purchasers of the common stock for whom the broker-dealers may act as agent. The compensation paid to a particular broker-dealer may be less than or in excess of customary commissions. Neither we nor Lincoln Park can presently estimate the amount of compensation that any agent will receive. We know of no existing arrangements between Lincoln Park or any other stockholder, broker, dealer, underwriter or agent relating to the sale or distribution of the shares offered by this prospectus. At the time a particular offer of shares is made, a prospectus supplement, if required, will be distributed that will set forth the names of any agents, underwriters or dealers and any compensation from Lincoln Park, and any other required information.

We will pay the expenses incident to the registration, offering, and sale of the shares to Lincoln Park. We have agreed to indemnify and certain other persons against certain liabilities in connection with the offering of shares of common stock offered hereby, including liabilities arising under the Securities Act or, if such indemnity is unavailable, to contribute amounts required to be paid in respect of such liabilities. has agreed to indemnify us against liabilities under the Securities Act that may arise from certain written information furnished to us by specifically for use in this prospectus or, if such indemnity is unavailable, to contribute amounts required to be paid in respect of such liabilities.

Lincoln Park has represented to us that at no time prior to the Purchase Agreement has it or its agents, representatives or affiliates engaged in or effected, in any manner whatsoever, directly or indirectly, any short sale (as such term is defined in Rule 200 of Regulation SHO of the Exchange Act) of our common stock or any hedging transaction, which establishes a net short position with respect to our common stock. Lincoln Park agreed that during the term of the Purchase Agreement, it, its agents, representatives or affiliates will not enter into or effect, directly or indirectly, any of the foregoing transactions.

We have advised Lincoln Park that it is required to comply with Regulation M promulgated under the Exchange Act. With certain exceptions, Regulation M precludes Lincoln Park, any affiliated purchasers, and any broker-dealer or other person who participates in the distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of the distribution until the entire distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security. All of the foregoing may affect the marketability of the securities offered by this prospectus.

Our common stock is quoted on the OTCQB under the symbol LWLG .

When we refer to Lincoln Park in this prospectus, we mean Lincoln Park Capital Fund LLC, and the pledgees, donees, permitted transferees, assignees, successors, and others who later come to hold any of Lincoln Park s interests in shares of our common stock other than through a public sale.

LEGAL MATTERS

The validity of the securities being offered by this prospectus has been passed upon for us by Snell & Wilmer LLP, Reno, Nevada.

EXPERTS

Morison Cogen LLP, our independent registered public accounting firm, has audited our balance sheets as of December 31, 2014 and 2013 and the related statements of operations, stockholders equity and cash flows for the years then ended and for the period from January 1, 2004 (inception of development stage) through December 31, 2014. We have included our financial statements in this prospectus and elsewhere in the registration statement of which it is a part in reliance on Morison Cogen LLP s report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933 for the shares of common stock in this offering. This prospectus does not contain all of the information in the registration statement and the exhibits and schedule that were filed with the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and the exhibits and schedule that were filed with the registration statement. Statements contained in this prospectus about the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and we refer you to the full text of the contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedules that were filed with the registration statement may be inspected without charge at the Public Reference Room maintained by the Securities and Exchange Commission at 100 F Street, N.E. Washington, DC 20549, and copies of all or any part of the registration statement may be obtained from the Securities and Exchange Commission upon payment of the prescribed fee. Information regarding the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

We file periodic reports under the Securities Exchange Act of 1934, including annual, quarterly and special reports, and other information with the Securities and Exchange Commission. These periodic reports and other information are available for inspection and copying at the regional offices, public reference facilities and website of the Securities

and Exchange Commission referred to above.

We make available free of charge on or through our internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITY

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

LIGHTWAVE LOGIC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Lightwave Logic, Inc.

Longmont, Colorado

We have audited the accompanying balance sheets of Lightwave Logic, Inc., as of December 31, 2015 and 2014 and the related statements of operations, stockholders equity and cash flows for the years then ended. Lightwave Logic, Inc. s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lightwave Logic, Inc., as of December 31, 2015 and 2014 and results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ MORISON COGEN LLP

Blue Bell, Pennsylvania

March 18, 2016

LIGHTWAVE LOGIC, INC.

BALANCE SHEETS

	December 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,730,705	$ 3,165,940
Prepaid expenses and other current assets	264,491	128,227
	3,995,196	3,294,167
PROPERTY AND EQUIPMENT - NET	495,062	375,227
OTHER ASSETS		
Intangible assets - net	619,767	610,029
TOTAL ASSETS	$ 5,110,025	$ 4,279,423
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 32,852	$ 178,165
Accounts payable and accrued expenses- related parties	5,069	10,323
Accrued expenses	65,036	33,353
TOTAL LIABILITIES	102,957	221,841
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 1,000,000 authorized no shares issued or outstanding		
Common stock $0.001 par value, 250,000,000 authorized 65,237,879 and 58,381,854 issued and outstanding at December 31, 2015 and December 31, 2014	65,238	58,382
Additional paid-in-capital	46,541,251	40,753,189
Accumulated deficit	(41,599,421)	(36,753,989)
TOTAL STOCKHOLDERS' EQUITY	5,007,068	4,057,582
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,110,025	$ 4,279,423

The accompanying notes are an integral part of these financial statements.

LIGHTWAVE LOGIC, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDING DECEMBER 31, 2015 AND 2014

	For the Year Ending December 31,	
	2015	**2014**
NET SALES	$	$ 2,500
COST AND EXPENSE		
Research and development	2,825,099	2,849,620
General and administrative	2,020,582	1,546,064
	4,845,681	4,395,684
LOSS FROM OPERATIONS	(4,845,681)	(4,393,184)
OTHER INCOME (EXPENSE)		
Interest income	249	249
Commitment fee		(16,862)
NET LOSS	$ (4,845,432)	$ (4,409,797)
Basic and Diluted Loss per Share	$ (0.08)	$ (0.08)
Basic and Diluted Weighted Average Number of Shares	60,326,470	55,637,906

The accompanying notes are an integral part of these financial statements.

LIGHTWAVE LOGIC, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDING DECEMBER 31, 2015 AND 2014

	Number of Shares	Common Stock	Paid-in Capital	Accumulated Deficit	Total
BALANCE AT DECEMBER 31, 2013	52,617,789	$ 52,618	$ 35,414,206	$ (32,344,192)	$ 3,122,632
Common stock issued to institutional investor	1,063,648	1,065	1,035,083		1,036,148
Common stock issued for additional commitment shares	15,630	15	16,847		16,862
Common stock issued in private placement	4,207,600	4,207	3,135,793		3,140,000
Common stock issued for services	28,187	28	24,472		24,500
Exercise of options	35,000	35	10,965		11,000
Exercise of warrants	414,000	414	142,416		142,830
Options issued for services			824,726		824,726
Warrants issued for services			148,681		148,681
Net loss for the year ending December 31,				(4,409,797)	(4,409,797)

2014

BALANCE AT DECEMBER 31, 2014	58,381,854	$	58,382	$	40,753,189	$	(36,753,989)	$ 4,057,582
Common stock issued in private placement	6,793,767		6,794		4,308,206			4,315,000
Common stock issued for services	62,258		62		48,901			48,963
Options issued for services					1,339,692			1,339,692
Warrants issued for services					91,263			91,263
Net loss for the year ending December 31, 2015							(4,845,432)	(4,845,432)
BALANCE AT DECEMBER 31, 2015	65,237,879	$	65,238	$	46,541,251	$	(41,599,421)	$ 5,007,068

The accompanying notes are an integral part of these financial statements.

LIGHTWAVE LOGIC, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING DECEMBER 31, 2015 AND 2014

	For the Year Ending December 31,	
	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (4,845,432)	$ (4,409,797)
Adjustment to reconcile net loss to net cash used in operating activities		
Warrants issued for services	91,263	148,681
Stock options issued for services	1,339,692	824,726
Common stock issued for services and fees	48,963	41,362
Depreciation and amortization of patents	179,907	151,183
(Increase) decrease in assets		
Prepaid expenses and other current assets	(136,264)	3,977
Increase (decrease) in liabilities		
Accounts payable	(145,313)	112,755
Accounts payable and accrued expenses-related parties	(5,254)	(38,494)
Accrued expenses	31,683	25,404
Net cash used in operating activities	(3,440,755)	(3,140,203)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cost of intangibles	(29,577)	(81,350)
Purchase of equipment, furniture and leasehold improvements	(279,903)	(213,189)
Net cash used in investing activities	(309,480)	(294,539)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock, private placement	4,315,000	3,140,000
Issuance of common stock, exercise of options and warrants		153,830
Issuance of common stock, institutional investor		1,036,148
Net cash provided by financing activities	4,315,000	4,329,978
NET INCREASE IN CASH AND CASH EQUIVALENTS	564,765	895,236
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,165,940	2,270,704
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,730,705	$ 3,165,940

The accompanying notes are an integral part of these financial statements.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Nature of Business

Lightwave Logic, Inc. is a technology Company focused on the development of next generation photonic devices and non-linear optical polymer materials systems for applications in high speed fiber-optic data communications and optical computing markets. Currently the Company is in various stages of photonic device and materials development and evaluation with potential customers and strategic partners. The Company expects the next revenue stream to be in sales of non-linear optical polymers, prototype devices and product development agreements prior to moving into production.

The Company s current development activities are subject to significant risks and uncertainties, including failing to secure additional funding to operationalize the Company s technology now under development.

Lightwave Logic, Inc., formerly Third-Order Nanotechnologies, Inc., formerly PSI-Tec Holdings, Inc., formerly Eastern Idaho Internet Service, Inc. (the Company) was organized under the laws of the State of Nevada in 1997. The Company was engaged in the business of marketing internet services until June 30, 1998, at which time the principal assets of the business were sold and operations were discontinued. The Company was inactive until the acquisition of PSI-TEC Corporation (PSI-TEC) on July 14, 2004, at which time the name was changed to PSI-TEC Holdings, Inc.

Merger

On July 14, 2004, the Company acquired PSI-TEC. Under the terms of the merger agreement, the stockholders of PSI-TEC received 15,600,000 shares of common stock in exchange for its 2,206,280 shares. Following the merger, the Company changed its name to PSI-TEC Holdings, Inc. Under accounting principles generally accepted in the United States, the share exchange is considered to be a capital transaction in substance rather than a business combination. That is, the share exchange is equivalent to the issuance of stock by PSI-TEC Holdings, Inc. for the net monetary assets of PSI-TEC, accompanied by a recapitalization, and is accounted for as a change of capital structure. Accordingly, the accounting for the share exchange was identical to that resulting from a reverse acquisition, except

no goodwill was recorded. Under reverse takeover accounting, the post-reverse acquisition comparative historical financial statements of the legal acquirer, PSI-TEC Holdings, Inc., are those of the legal acquiree, PSI-TEC, which is considered to be the accounting acquirer. On October 20, 2006, PSI-TEC Holdings, Inc. and PSI-TEC merged and changed its name to Third-Order Nanotechnologies, Inc. On March 10, 2008, Third-Order Nanotechnologies, Inc. changed its name to Lightwave Logic, Inc.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board of Accounting Standards Codification (FASB ASC) 915 for development stage companies. The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management s best knowledge of current events and actions the Company may undertake in the future, actual results could differ from the estimates.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid instruments with maturities of three months or less at the time of purchase to be cash equivalents.

Concentration of Credit Risk

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash. At December 31, 2015, the Company did have deposits with a financial institution that exceed the Federal Depository Insurance coverage.

Property and Equipment

Equipment is stated at cost. Depreciation is principally provided by use of straight-line methods for financial and tax reporting purposes over the estimated useful lives of the assets, generally 5 years. When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations.

Intangible Assets

Definite-lived intangible assets are stated at cost. Patents are amortized over their estimated useful lives, commencing from the date of grant for the remaining legal lives of the patents. The patents generally have a term of up to 20 years from the date of filing of the earliest related patent application. When certain patent applications are abandoned by the Company for claims that are covered by patents already granted to the Company, the cost of patent applications are removed from the accounts and the resulting expense is reflected in the statement of operations.

Fair Value of Financial Instruments

The Company s financial instruments consist of cash, accounts payable and accrued expenses. The carrying values of cash, accounts payable and accrued expenses approximate fair value because of their short maturities.

Income Taxes

The Company follows FASB ASC 740, Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Stock-based Payments

The Company accounts for stock-based compensation under the provisions of FASB ASC 718, "Compensation - Stock Compensation" which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors based on estimated fair values on the grant date. The Company estimates the fair value of stock-based awards on the date of grant using the Black-Scholes model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods using the straightline method. The Company accounts for stock-based compensation awards to nonemployees in accordance with FASB ASC 505-50, "Equity-Based Payments to Non-Employees (ASC 505-50). Under ASC 505-50, the Company determines the fair value of the warrants or stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. All issuances of stock options or other equity instruments to non-employees as consideration for goods or services received by the Company are accounted for based on the fair value of the equity instruments issued. Any stock options issued to non-employees are recorded as an expense and additional paid in capital in stockholders equity over the applicable service periods. Non-employee equity based payments that do not vest immediately upon grant are recorded as an expense over the service period, as if the Company had paid cash for the services. At the end of each financial reporting period, prior to vesting or prior to the completion of the services, the fair value of the equity based payments will be re-measured and the non-cash expense recognized during the period will be adjusted accordingly. Since the fair value of equity based payments granted to non-employees is subject to change in the future, the amount of the future expense will include fair value re-measurements until the equity based payments are fully vested or the service completed.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss Per Share

The Company follows FASB ASC 260, Earnings per Share , resulting in the presentation of basic and diluted earnings per share. Because the Company reported a net loss in 2015 and 2014, common stock equivalents, including stock options and warrants were anti-dilutive; therefore, the amounts reported for basic and dilutive loss per share were the same.

Recoverability of Long Lived Assets

The Company follows FASB ASC 360, Property, Plant, and Equipment . Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset s carrying amount.

Comprehensive Income

The Company follows FASB ASC 220.10, Reporting Comprehensive Income. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. Since the Company has no items of other comprehensive income, comprehensive income (loss) is equal to net loss.

Recently Adopted Accounting Pronouncements

As of December 31, 2015 and for the period then ended, there were no recently adopted accounting pronouncements that had a material effect on the Company s financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

As of December 31, 2015, there are no recently issued accounting standards not yet adopted which would have a material effect on the Company s financial statements through 2017.

NOTE 2 MANAGEMENT S PLANS

As a technology company focusing on the development of the next generation photonic devices and non-linear optical polymer materials systems, substantial net losses have been incurred since inception. The Company has satisfied capital requirements since inception primarily through the issuance and sale of its common stock. The Company currently has a cash position of approximately $3,290,000. Based upon the current cash position and expenditures of approximately $290,000 per month and no debt service, management believes the Company has sufficient funds currently to finance its operations through January 2017. In January 2016, the Company signed a Purchase Agreement with an institutional investor to sell up to $20,000,000 of common stock. The Company also entered into a Registration Rights Agreement with the institutional investor whereby the Company filed a registration statement related to the transaction with the U.S. Securities and Exchange Commission registering 5,000,000 shares of the Company s common stock. Under the Purchase Agreement and at Company's sole discretion, the institutional investor has committed to invest up to $20,000,000 in common stock over a 36-month period.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2015	December 31, 2014
Office equipment	$ 51,323	$ 51,322
Lab equipment	722,555	544,858
Furniture	26,028	18,782
Leasehold improvements	231,859	136,900
	1,031,765	751,862
Less: Accumulated depreciation	536,703	376,635
	$ 495,062	$ 375,227

Depreciation expense for the years ending December 31, 2015 and 2014 was $160,068 and $136,322.

NOTE 4 INTANGIBLE ASSETS

This represents legal fees and patent fees associated with the prosecution of patent applications. The Company has recorded amortization expenses on the Spacer and Chromophore patents granted by the United States Patent and Trademark Office in February 2011, April 2011 and September 2012, which are amortized over the remaining legal life and Chromophore patent granted by the Australian Patent Office in November 2012 which is amortized over the remaining legal life. Certain patent applications are abandoned by the Company when the claims are covered by patents already granted to the Company. Patent applications abandoned have been written off at full capitalized cost. No amortization expense has been recorded on the remaining patent applications since patents have yet to be granted.

Patents consists of the following:

	December 31, 2015	2014
Patents	$ 690,162	$ 660,586
Less: Accumulated amortization	70,395	50,557
	$ 619,767	$ 610,029

Amortization expense for the years ending December 31, 2015 and 2014 was $19,839 and $14,861. Expense for abandoned patents for claims covered by patents already granted to the Company are recorded in research and development expenses and for the years ending December 31, 2015 and 2014 were $0.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 5 COMMITMENTS

The Company is obligated under an operating lease for office and laboratory space. The aggregate minimum future lease payments under the operating leases are as follows:

DECEMBER 31,	AMOUNT
2016	$ 64,886
2017	48,817
2018	50,274
2019	6,307
TOTAL	$ 170,284

Rent expense approximating $104,724 and $18,347 is included in research and development and general and administrative expenses for the year ended December 31, 2015. The rent expense for the year ended December 31, 2014 is approximating $98,501 and $12,777 and is included in research and development and general and administrative expenses.

NOTE 6 INCOME TAXES

As discussed in Note 1, the Company utilizes the asset and liability method of accounting for income taxes in accordance with FASB ASC 740.

The income tax benefit (provision) consists of the following:

	2015	2014
Current	$ (1,468,000)	$ (1,582,000)

Deferred	346,000	(211,000)
Change in valuation allowance	1,122,000	1,793,000
	$	$

The reconciliation of the statutory federal rate to the Company s effective income tax rate is as follows:

	2015		2014	
	Amount	**%**	**Amount**	**%**
Income tax benefit at U.S. federal income tax rate	$ (1,647,000)	(34)	$ (1,503,000)	(34)
State tax, net of federal tax effect	(436,000)	(9)	(398,000)	(9)
Non-deductible share-based compensation	961,000	20	91,000	2
Other non-deductible			17,000	
Change in valuation allowance	1,122,000	23	1,793,000	41
	$		$	

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 6 INCOME TAXES (CONTINUED)

The components of deferred tax assets as of December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred tax asset for NOL carryforwards	$ 13,043,000	$ 11,574,000
Share-based compensation	3,217,000	3,564,000
Accrued expenses		
Valuation allowance	(16,260,000)	(15,138,000)
	$	$

The valuation allowance for deferred tax assets as of December 31, 2015 and 2014 was $16,260,000 and $15,138,000, respectively. The change in the total valuation for the years ended December 31, 2015 and 2014 was an increase of $1,122,000 and $1,793,000, respectively. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the net operating losses and temporary differences become deductible. Management considered projected future taxable income and tax planning strategies in making this assessment. The value of the deferred tax assets was offset by a valuation allowance, due to the current uncertainty of the future realization of the deferred tax assets.

As of December 31, 2015, the Company had net operating loss carry forwards of approximately $30,332,000, expiring through the year ending December 31, 2035. This amount can be used to offset future taxable income of the Company.

The timing and manner in which the Company can utilize operating loss carryforwards in any year may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations. Such limitation may have an impact on the ultimate realization of its carryforwards and future tax deductions.

On January 1, 2007, the Company adopted FASB ASC 740.10, which provides guidance for the recognition and measurement of certain tax positions in an enterprise s financial statements. Recognition involves a determination of whether it is more likely than not that a tax position will be sustained upon examination with the presumption that the tax position will be examined by the appropriate taxing authority having full knowledge of all relevant information. The adoption of FASB ASC 740.10 did not require an adjustment to the Company s financial statements.

The Company s policy is to record interest and penalties associated with unrecognized tax benefits as additional income taxes in the statement of operations. As of January 1, 2015, the Company had no unrecognized tax benefits and no charge during 2015, and accordingly, the Company did not recognize any interest or penalties during 2015 related to unrecognized tax benefits. There is no accrual for uncertain tax positions as of December 31, 2015.

The Company files U.S. income tax returns and a state income tax return. With few exceptions, the U.S. and state income tax returns filed for the tax years ending on December 31, 2012 and thereafter are subject to examination by the relevant taxing authorities.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 7 STOCKHOLDERS EQUITY

Preferred Stock

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

Common Stock and Warrants

During November 2007, under the 2007 Employee Stock Option Plan, the Company issued options to purchase 1,752,000 shares of common stock at a purchase price of $0.72 per share. The options expire in 5 years with 146,000 shares vesting each quarter from date of grant. During 2008, an option to purchase 750,000 shares of common stock, of which 125,000 shares were vested, forfeited. In November 2012, the remaining options were extended to November 2014. In October 2014, the remaining options were extended to November 2016. The incremental increase in fair value of the modified options was $245,082 using the Black-Scholes Option Pricing Formula which was expensed immediately. As of December 31, 2015, the options to purchase the remaining 1,002,000 shares of common stock are still outstanding.

In January 2008, under the 2007 Employee Stock Option Plan, the Company issued an option to purchase 100,000 shares of common stock at a purchase price of $0.72 per share, vesting 25,000 immediately and the remaining in annual equal installments of 25,000. In November 2012, the option was extended to January 2015. In October 2014, the option was extended to January 2017. The incremental increase in fair value of the modified options was $21,462 using the Black-Scholes Option Pricing Formula which was expensed immediately. As of December 31, 2015, the option to purchase 100,000 shares of common stock is still outstanding.

In July 2008, the Company issued options to purchase 200,000 shares of common stock at a purchase price of $1.75 per share to members of the board of directors, under the 2007 Employee Stock Option Plan, vesting 50,000 immediately and the remaining in annual equal installments of 50,000 over the next three years. In November 2012, the options were extended to July 2015. In July 2015, an option to purchase 100,000 shares of common stock was cancelled. In July 2015, an option to purchase 100,000 shares of common stock expired.

In August 2008, under the 2007 Employee Stock Option Plan, the Company issued options to purchase 550,000 and 1,050,000 shares of common stock at a purchase price of $1.42 and $1.75 per share to members of the board of directors and the Chief Executive Officer, vesting 212,500 immediately and the remaining in annual equal installments of 112,500 over the next three years and vesting in quarterly equal installments of 87,500 commencing November 1, 2008, respectively. In November 2012, the options were extended to August 2015 and July 2015, respectively. In July 2015, the options to purchase 1,450,000 shares of common stock were cancelled. In August 2015 an option to purchase 150,000 shares of common stock expired.

In January 2009, an employee was granted with an option to purchase up to 25,000 shares of common stock at a purchase price of $.25 per share. Using the Black-Scholes Option Pricing Formula, the options were valued at $13,136, fair value. These options expire in 5 years and vest immediately. The expense recognized during 2009 is $13,136. In May 2010, the option was partially exercised to purchase 15,000 shares of common stock for proceeds of $3,750. In January 2014, the remaining 10,000 options were exercised to purchase 10,000 shares of common stock for proceeds of $2,500.

In June 2009, an employee was granted with an option to purchase up to 25,000 shares of common stock at a purchase price of $.34 per share. Using the Black-Scholes Option Pricing Formula, the options were valued at valued at $21,085, fair value. These options expire in 5 years and vest immediately. The expense recognized during 2009 was $21,085. In May 2014, the option was fully exercised to purchase 25,000 shares of common stock for proceeds of $8,500.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 7 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

During June 2009, the Company issued a warrant to purchase 464,000 shares of common stock at a purchase price of $0.34 per share for accounting services rendered. The warrant was valued at $391,342 using the Black-Scholes Option Pricing Formula, vesting 46,400 immediately and the remaining on equal monthly installments of 23,200 over the next eighteen months. The warrant expires in 5 years. The expense is being recognized based on service terms of the agreement over a twenty two month period. The expense recognized during 2010 and 2009 was $213,459 and $177,883. In April 2010, the warrant was partially exercised to purchase 10,000 shares of common stock for proceeds of $3,450. In February 2012, the warrant was partially exercised to purchase 20,000 shares of common stock for proceeds of $6,900. In June 2013, the warrant was partially exercised to purchase 20,000 shares of common stock for proceeds of $6,900. In March 2014, warrants were exercised to purchase 250,000 shares of common stock for proceeds of $86,250. In June 2014, the remaining outstanding 164,000 warrants were exercised to purchase 164,000 shares of common stock for proceeds of $56,580.

In January 2010, the Company issued a warrant to purchase 650,000 shares of common stock at a purchase price of $1.51 per share to a new member of its board of directors serving as the Company s full-time non-executive chair of the board of directors. Using the Black-Scholes Option Pricing Formula, the warrants were valued at $1,188,000, fair value, vesting 162,500 immediately and the remaining in annual equal installments of 162,500 over the next three years. The warrant expires in 5 years. During 2011, the warrant to purchase 650,000 shares of common stock, of which 487,500 shares were vested, forfeited. For the year ending December 31, 2011 and 2010, the Company recognized $306,765 and $580,167 of expense. The warrant to purchase 487,500 shares of common stock expired in January 2015.

In June 2010, an employee was granted with an option to purchase up to 100,000 shares of common stock at a purchase price of $1.50 per share, vesting in equal installments of 12,500 over the next two years commencing August 1, 2010. In July 2015, the option was cancelled.

In November 2010, the board of directors approved a grant to employees of options to purchase up to 250,000 shares of common stock at a purchase price of $1.00 per share. These options were granted on December 13, 2010, vesting

125,000 on December 13, 2010 and 125,000 vesting on June 13, 2011. In July 2015, the options were cancelled.

In November 2010, the board of directors approved a grant to three outside directors of options to purchase up to 300,000 shares of common stock at a purchase price of $1.00 per share. These options were granted on December 13, 2010, vesting 75,000 on December 13, 2010 and the remaining in equal annual installments of 75,000 over the next three years commencing November 4, 2011. In July 2015, the options to purchase 200,000 shares of common stock were cancelled. In September 2015, options to purchase 100,000 shares of common stock were extended for 5 years. The incremental increase in fair value of the modified options was $33,393, using the Black-Scholes Option Pricing Formula, and was expensed immediately. As of December 31, 2015, the remaining options to purchase 100,000 shares of common stock are still outstanding.

In January 2011, the Company issued a warrant to a related party to purchase 10,000 shares of common stock for legal services at an exercise price of $1.25 per share. Using the Black-Scholes Option Pricing Formula, the warrants were valued at $10,453, fair value. These warrants expire in 3 years and vest immediately. For the years ending December 31, 2015 and 2014, the Company recognized $0 and $0 of expense. In January 2014, the warrant to purchase 10,000 shares of common stock forfeited.

In August 2012, the board of directors approved a grant to a new employee of an option to purchase up to 100,000 shares of common stock at a purchase price of $0.925 per share. Using the Black-Scholes Option Pricing Formula, the option was valued at $74,486, fair value. The option expires in 5 years with 12,500 vesting every 3 months from date of grant. The option is expensed over the vesting terms. For the years ending December 31, 2015 and 2014, the Company recognized $0 and $3,012 of net expense. In February 2014, the option to purchase 25,000 shares of common stock forfeited. In May 2014, the option to purchase 75,000 shares of common stock forfeited.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 7 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

In March 2013, the board of directors approved a grant to a new employee of an option to purchase up to 75,000 shares of common stock at a purchase price of $1.16 per share. Using the Black-Scholes Option Pricing Formula, the option was valued at $81,076, fair value. The option expires in 10 years with 9,375 vesting quarterly from date of grant. The option is expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $6,551 and $40,539 of expense. In November 2015, the options to purchase 75,000 shares of common stock forfeited.

In May 2013, the board of directors approved a grant to a new employee of an option to purchase up to 10,000 shares of common stock at a purchase price of $1.03 per share. Using the Black-Scholes Option Pricing Formula, the option was valued at $9,574, fair value. The option expires in 10 years with 1,250 vesting quarterly from date of grant. The option is expensed over the vesting terms. In December 2013, the option to purchase 7,500 shares of common stock forfeited. For the year ending December 31, 2015 and 2014, the Company recognized a net expense of $0. In March 2014, the options to purchase 2,500 shares of common stock forfeited.

In May 2013, the board of directors approved a grant to an employee of an option to purchase up to 100,000 shares of common stock at a purchase price of $1.00 per share. Using the Black-Scholes Option Pricing Formula, the option was valued at $80,824, fair value. The option expires in 10 years with 25,000 vesting August 1, 2013, October 1, 2013 and quarterly thereafter. The option is expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $0 and $20,425 of expense. As of December 31, 2015, options to purchase 100,000 shares of common stock are still outstanding.

In June 2013, the Company signed a Purchase Agreement and Registration Rights Agreement with an institutional investor to sell up to $20,000,000 of common stock. Under the agreement subject to certain conditions and at the Company's sole discretion, the institutional investor has committed to invest up to $20,000,000 in the Company's common stock over a 30-month period. The Company filed the registration statement with the U.S. Securities and Exchange Commission in September 2013. The institutional investor is obligated to make purchases as the Company directs in accordance with the agreement, which may be terminated by the Company at any time, without cost or

penalty. Sales of shares will be made in specified amounts and at prices that are based upon the market prices of the Company's common stock immediately preceding the sales to the institutional investor. The Company issued 200,000 shares of restricted common stock to the institutional investor as an initial commitment fee valued at $170,000, fair value and 400,000 shares of common stock are reserved for additional commitment fees to the institutional investor in accordance with the terms of the agreement. During June 2013 through December 2015, the institutional investor purchased 1,563,648 shares of common stock for proceeds of $1,514,647 and the Company issued 23,272 shares of common stock as additional commitment fee, valued at $24,745, fair value, leaving 376,728 in reserve for additional commitment fees. For the year ending December 31, 2015, the institutional investor did not purchase shares of common stock and the Company did not issue shares of common stock as additional commitment fee. For the year ending December 31, 2014, the institutional investor purchased 1,063,648 shares of common stock for proceeds of $1,036,148 and the Company issued 15,630 shares of common stock as additional commitment fee, valued at $16,862, fair value. On February 1, 2016, the Company and the institutional investor entered into an Agreement to terminate the Purchase Agreement and Registration Rights Agreement dated June 6, 2013.

During July 2013, the Company issued a warrant to purchase 100,000 shares of common stock at a purchase price of $0.90 per share for accounting services rendered commencing July 1, 2013. The warrant was valued at $48,915 using the Black-Scholes Option Pricing Formula, vesting over the next twelve months with 8,333 vesting each month for the first eleven months and 8,337 vesting the twelfth month from date of grant. The warrant expires in five years. The expense is being recognized based on service terms of the agreement over a twelve month period. For the year ending December 31, 2015 and 2014, the Company recognized $0 and $24,257 of expense. As of December 31, 2015, warrant to purchase 100,000 shares of common stock is still outstanding.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 7 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

During August 2013, the Company issued an option to an employee to purchase 25,000 shares of common stock at a purchase price of $0.84 per share. The option was valued at $17,852 using the Black-Scholes Option Pricing Formula. The option expires in ten years and vests immediately. The option is expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $0 and $0 of expense. As of December 31, 2015, the option to purchase 25,000 shares of common stock is still outstanding.

During August 2013, the Company issued an option to a director to purchase 50,000 shares of common stock at a purchase price of $0.84 per share. The option was valued at $35,704 using the Black-Scholes Option Pricing Formula, vesting 20,000 options immediately and 10,000 options vesting in three equal quarterly installments commencing October 1, 2013. The option expires in ten years. The option is expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $0 and $7,219 of expense. As of December 31, 2015, the option to purchase 50,000 shares of common stock is still outstanding.

In October 2013, the Company issued an option to a new director to purchase 200,000 shares of common stock at a purchase price of $0.93 per share for a directorship commencing November 1, 2013. The option was valued at $174,106 using the Black-Scholes option pricing model. The option expires in 10 years with 50,000 vesting in annual installments commencing November 1, 2013. The option is expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $43,527 and $43,527 of expense. As of December 31, 2015, the option to purchase 200,000 shares of common stock is still outstanding.

In December 2013, the board of directors approved a grant to a senior advisor effective January 2014 of a warrant to purchase up to 100,000 shares of common stock at a purchase price of $0.715 per share. Using the Black-Scholes Option Pricing Formula, the warrant was valued at $53,313, fair value. The warrant expires in 5 years and vests 25,000 immediately and the remaining in equal monthly installments of 7,500 over the next 10 months. The warrant is expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $0 and $53,313 of expense. As of December 31, 2015, the warrants to purchase 100,000 shares of common stock are still outstanding.

In January 2014, the Company issued options to the Company s 4 independent directors to each purchase 50,000 shares of common stock at a purchase price of $0.715 per share. The options were each valued at $29,440, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years with 20,000 vesting immediately and the remainder vesting in quarterly equal installments of 10,000 commencing April 1, 2014. The options are expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $0 and $117,760 of expense. As of December 31, 2015, the options to purchase 200,000 shares of common stock are still outstanding.

In March 2014, the Company issued options to a new employee to purchase 30,000 shares of common stock at a purchase price of $0.92 per share. The options were valued at $23,304, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years vesting in quarterly equal installments of 3,750 from date of employment. The options are expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $11,652 and $10,100 of expense. As of December 31, 2015, the options to purchase 30,000 shares of common stock are still outstanding.

In March 2014, the Company issued options to a new employee to purchase 75,000 shares of common stock at a purchase price of $0.92 per share. The options were valued at $58,384, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years vesting in quarterly equal installments of 9,375 from date of employment. The options are expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $29,192 and $24,829 of expense. As of December 31, 2015, the options to purchase 75,000 shares of common stock are still outstanding.

In March 2014, the Company issued options to a new employee to purchase 50,000 shares of common stock at a purchase price of $0.92 per share. The options were valued at $38,922, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years vesting in quarterly equal installments of 6,250 from date of employment. The options are expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $19,427 and $16,164 of expense. As of December 31, 2015, the options to purchase 50,000 shares of common stock are still outstanding.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 7 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

In March 2014, the Company issued options to an employee to purchase 125,000 shares of common stock at a purchase price of $0.92 per share. The options were valued at $96,211, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years vesting in quarterly equal installments of 15,625 commencing April 1, 2014. The options are expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $24,183 and $47,975 of expense. In August 2015, options to purchase 31,250 shares of common stock forfeited. In November 2015, the remaining options to purchase 93,750 shares of common stock forfeited.

In March 2014, the Company issued options to an employee to purchase 30,000 shares of common stock at a purchase price of $0.92 per share. The options were valued at $22,222, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years vesting in quarterly equal installments of 7,500 commencing April 1, 2014. The options are expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $60 and $22,162 of expense. As of December 31, 2015, the options to purchase 30,000 shares of common stock are still outstanding.

In March 2014, the Company issued options to purchase 40,000 shares of common stock at a purchase price of $0.92 per share to its Chief Executive Officer as part of a new employment agreement. The options were valued at $29,630, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years vesting in quarterly equal installments of 10,000 commencing April 1, 2014. The options are expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $80 and $29,550 of expense. As of December 31, 2015, the options to purchase 40,000 shares of common stock are still outstanding.

In March 2014, the Company issued warrants to purchase 100,000 shares of common stock for consulting services at an exercise price of $0.92 per share. The warrants were valued at $66,936, fair value, using the Black-Scholes Option Pricing Formula. The warrants expire in 5 years vesting 25,000 immediately with the remaining 75,000 vesting in monthly equal installments of 7,500 commencing April 1, 2014. The warrants are expensed over the vesting terms. In October 2014, warrants to purchase 22,500 shares of common stock forfeited. For the year ending December 31, 2015

and 2014, the Company recognized $0 and $39,061 of expense. As of December 31, 2015, the warrants to purchase 77,500 shares of common stock are still outstanding.

In May 2014, the Company issued options to a new director to purchase 200,000 shares of common stock at a purchase price of $0.763 per share. The options were valued at $122,515 using the Black-Scholes Option Pricing Formula. The options expire in 10 years with 50,000 vesting immediately and the remainder vesting in annual equal installments of 50,000 commencing on the one year anniversary of the date of grant. The options are expensed over the vesting terms. For the year ending December 31, 2015 and 2014, the Company recognized $30,628 and $50,264 of expense. As of December 31, 2015, the options to purchase 200,000 shares of common stock are still outstanding.

During June 2014 through August 2014, the Company issued 4,207,600 shares of common stock and warrants to purchase 4,207,600 shares of common stock expiring five years from the date of purchase, for proceeds of $3,140,000 in accordance to a private placement memorandum as amended on May 27, 2014. Pursuant to the terms of the offerings, up to 60 units were offered at the purchase price of $50,000 per unit, with each unit comprised of 67,000 shares and a warrant to purchase 33,500 shares of common stock at $1.00 per share and a warrant to purchase 33,500 shares of common stock at $1.25 per share. The warrants to purchase 2,103,800 shares of common stock at $1.00 per share are still outstanding as of December 31, 2015. The warrants to purchase 2,103,800 shares of common stock at $1.25 per share are still outstanding as of December 31, 2015. Since the warrants are considered indexed to its own stock and qualify for equity classification, there is no requirement to separately account for the warrants. On September 9, 2014 the Company filed the Registration Statement on Form S-1 which became effective on September 17, 2014.

During 2015 and 2014 the Company issued 12,040 shares and 15,687 shares, respectively, with a fair value of $24,000, to a director serving as a member of the Company s Operations Committee. For the year ending December 31, 2015 and 2014, the Company recognized $10,000 and $14,000 of expense.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 7 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

During July 2014, the Company issued a warrant to purchase 100,000 shares of common stock at a purchase price of $0.95 per share for accounting services rendered commencing July 1, 2014. The warrant was valued at $53,288, fair value, using the Black-Scholes Option Pricing Formula, vesting over the next twelve months with 8,333 vesting immediately, 8,333 vesting per month on the first day of the next ten months and 8,337 vesting on the first day of the twelfth month of the corresponding service agreement. The warrant expires in five years. The expense is being recognized based on service terms of the agreement over a twelve month period. For the year ending December 31, 2015 and 2014, the Company recognized $21,238 and $32,050 of expense. As of December 31, 2015, the warrants to purchase 100,000 shares of common stock are still outstanding.

Effective August 21, 2014, the number of shares of the Company s common stock available for issuance under the 2007 Employee Stock plan was increased from 8,000,000 to 10,000,000 shares.

During 2015 and 2014 the Company issued 37,500 shares and 12,500 shares, respectively, with a fair value of $41,075, to a firm for investor relations services. For the year ending December 31, 2015 and 2014, the Company recognized $30,575 and $10,500 of expense.

In December 2014, the board of directors approved a grant to a senior advisor effective January 1, 2015 of a warrant to purchase up to 100,000 shares of common stock at a purchase price of $0.77 per share. Using the Black-Scholes Option Pricing Formula, the warrant was valued at $46,576, fair value. The warrant expires in 5 years and vests 25,000 immediately and the remaining in equal monthly installments of 7,500 over the next 10 months. The warrant is expensed over the vesting terms. For the year ending December 31, 2015, the Company recognized $46,576 of expense. As of December 31, 2015, the warrants to purchase 100,000 shares of common stock are still outstanding.

In December 2014, the board of directors approved a grant to an employee effective January 1, 2015 to purchase 15,000 shares of common stock at a purchase price of $0.77 per share. The options were valued at $7,362, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years vesting 7,500 immediately and 7,500 in 3 months from the effective date of the option agreement. The options are expensed over the vesting terms. For the year ending December 31, 2015, the Company recognized $7,362 of expense. As of December 31, 2015, the options to purchase 15,000 shares of common stock are still outstanding.

In March 2015, the Company issued options to the Company s five independent directors to each purchase 50,000 shares of common stock at a purchase price of $0.80 per share. The options were each valued at $24,901, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years with 20,000 vesting immediately and the remainder vesting in quarterly equal installments of 10,000 commencing April 1, 2015. The options are expensed over the vesting terms. For the year ending December 31, 2015, the Company recognized $124,505 of expense. As of December 31, 2015, the options to purchase 250,000 shares of common stock are still outstanding.

In March 2015, the Company issued an option to an employee to purchase 2,500 shares of common stock at a purchase price of $0.80 per share. The option was valued at $1,231, fair value, using the Black-Scholes Option Pricing Formula. The option expires in 10 years vesting immediately. The option is expensed over the vesting terms. For the year ending December 31, 2015, the Company recognized $1,231 of expense. As of December 31, 2015, the options to purchase 2,500 shares of common stock are still outstanding.

In May 2015, the Company increased the authorized shares of common stock from 100,000,000 to 250,000,000.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 7 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

During May 2015 through June 2015, the Company issued 2,816,199 shares of common stock and warrants to purchase 2,816,199 shares of common stock expiring five years from the date of purchase, for proceeds of $1,915,000 in accordance to a private placement memorandum as amended on May 27, 2015. Pursuant to the terms of the offerings, up to 20 units were offered at the purchase price of $100,000 per unit, with each unit comprised of 147,060 shares and a warrant to purchase 73,530 shares of common stock at $0.85 per share and a warrant to purchase 73,530 shares of common stock at $1.02 per share. The warrants to purchase 1,408,102 shares of common stock at $0.85 per share are still outstanding as of December 31, 2015. The warrants to purchase 1,408,097 shares of common stock at $1.02 per share are still outstanding as of December 31, 2015. Since the warrants are considered indexed to its own stock and qualify for equity classification, there is no requirement to separately account for the warrants.

During July 2015, under the 2007 Employee Stock Option Plan, the Company issued to employees and a director options to purchase 2,100,000 shares of common stock at a purchase price of $0.70 per share. The options were valued at $931,284, fair value, using the Black-Scholes Option Pricing Formula. The options expire in 10 years and vest immediately. The options are expensed over the vesting terms. All the options issued replaced options that either expired or were canceled. For the year ending December 31, 2015, the Company recognized $931,284 of expense. As of December 31, 2015, the options to purchase 2,100,000 shares of common stock are still outstanding.

During July 2015, the Company issued a warrant to purchase 125,000 shares of common stock at a purchase price of $0.70 per share for accounting services to be rendered over a twelve month period commencing July 1, 2015. The warrant was valued at $46,897, fair value at December 31, 2015, using the Black-Scholes Option Pricing Formula, vesting over the next twelve months with 10,416 vesting immediately, 10,416 vesting per month on the first day of the next ten months and 10,424 vesting on the first day of the twelfth month of the corresponding service agreement. The warrant expires in five years. The expense is being recognized based on service terms of the agreement over a twelve month period. For the year ending December 31, 2015, the Company recognized $23,449 of expense. As of December 31, 2015, the warrants to purchase 125,000 shares of common stock are still outstanding.

During August 2015, under the 2007 Employee Stock Option Plan, the Company issued an option to an employee to purchase 50,000 shares of common stock at a purchase price of $0.67 per share. The option was valued at $19,930, fair value, using the Black-Scholes Option Pricing Formula. The option expires in 10 years and vests 12,500 immediately and the remaining in equal quarterly installments of 12,500 over the next three quarters. The option is expensed over the vesting terms. For the year ending December 31, 2015, the Company recognized $12,727 of expense. As of December 31, 2015, the options to purchase 50,000 shares of common stock are still outstanding.

During August 2015, under the 2007 Employee Stock Option Plan, the Company issued an option to three employees to purchase 75,000 shares of common stock at a purchase price of $0.69 per share. The option was valued at $32,734, fair value, using the Black-Scholes Option Pricing Formula. The option expires in 10 years and vests 15,000 immediately and the remaining in equal quarterly installments of 15,000 over the next four quarters. The option is expensed over the vesting terms. For the year ending December 31, 2015, the Company recognized $15,582 of expense. As of December 31, 2015, the options to purchase 75,000 shares of common stock are still outstanding.

During August 2015, under the 2007 Employee Stock Option Plan, the Company issued an option to a new director to purchase 200,000 shares of common stock at a purchase price of $0.69 per share. The option was valued at $90,615, fair value, using the Black-Scholes Option Pricing Formula. The option expires in 10 years and vests 50,000 immediately and the remaining in equal annual installments of 50,000 over the next three years. The option is expensed over the vesting terms. For the year ending December 31, 2015, the Company recognized $30,518 of expense. As of December 31, 2015, the options to purchase 200,000 shares of common stock are still outstanding.

During 2015 the Company issued 12,718 shares, with a fair value of $8,387, to a director serving as a member of the Company s Operations Committee. For the year ending December 31, 2015, the Company recognized $8,387 of expense. During January 2016 and February 2016, the Company issued 3,750 and 3,330 additional shares of common stock valued at $2,000 and $2,000.

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 7 STOCKHOLDERS EQUITY (CONTINUED)

Common Stock and Warrants (Continued)

During October 2015, under the 2007 Employee Stock Option Plan, the Company issued options to a new employee to purchase 35,000 shares of common stock at a purchase price of $0.74 per share. The option was valued at $16,393, fair value, using the Black-Scholes Option Pricing Formula. The options expire October 12, 2025 with 4,375 shares vesting on the anniversary date of the third month of employment and the remaining vesting in seven equal installments of 4,375 at the end of every three month period thereafter. The option is expensed over the vesting terms. For the year ending December 31, 2015, the Company recognized $1,782 of expense. As of December 31, 2015, the options to purchase 35,000 shares of common stock are still outstanding.

During November 2015, under the 2007 Employee Stock Option Plan, the Company granted options effective January 1, 2016 to the Chief Executive Officer to purchase 100,000 shares of common stock at a purchase price of $0.86 per share. The options expire November 9, 2025 with 12,500 shares vesting on January 1, 2016 and the remaining vesting quarterly in equal installments of 12,500 options commencing April 1, 2016. The options were valued at $33,108, fair value, using the Black-Scholes Option Pricing Formula. The options will be expensed over the vesting terms.

During November 2015 through December 2015, the Company issued 3,977,568 shares of common stock and warrants to purchase 3,977,568 shares of common stock expiring five years from the date of purchase, for proceeds of $2,400,000 in accordance to a private placement memorandum as amended on November 10, 2015. Pursuant to the terms of the offerings, up to 60 units were offered at the purchase price of $50,000 per unit, with each unit comprised of 82,866 shares and a warrant to purchase 82,866 shares of common stock at $0.80 per share. The warrants to purchase 3,977,568 shares of common stock at $0.80 per share are still outstanding as of December 31, 2015. Since the warrants are considered indexed to its own stock and qualify for equity classification, there is no requirement to separately account for the warrants.

NOTE 8 STOCK BASED COMPENSATION

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award, with the following assumptions for 2015 and 2014: no dividend yield in both years, expected volatility, based on the Company s historical volatility, 75% to 79% in 2015 and between 70.25% to 109% in 2014, risk-free interest rate between 1.44% to 1.70% in 2015 and between 0.58% to 2.08% in 2014 and expected option life of 5 to 5.75 years in 2015 and 2.13 to 7.25 years in 2014.

As of December 31, 2015, there was $209,618 of unrecognized compensation expense related to non-vested market-based share awards that is expected to be recognized through August 2018.

The following tables summarize all stock option and warrant activity of the Company during the year ended December 31, 2015 and 2014:

	Non-Qualified Stock Options and Warrants Outstanding and Exercisable		
	Number of Shares	**Exercise Price**	**Weighted Average Exercise Price**
Outstanding, December 31, 2013	7,146,000	$0.25 - $1.75	$ 1.16
Granted	5,257,600	$0.72 - $1.25	$ 1.07
Expired	(10,000)	$1.25	$ 1.25
Forfeited	(125,000)	$0.92 - $1.03	$ 0.93
Exercised	(449,000)	$0.25 - $0.345	$ 0.34
Outstanding, December 31, 2014	11,819,600	$0.25 - $1.75	$ 1.15
Granted	9,746,267	$0.67 - $1.02	$ 0.81
Expired	(2,837,500)	$1.00 - $1.75	$ 1.52
Forfeited	(200,000)	$0.92 - $1.16	$ 1.01
Exercised			
Outstanding, December 31, 2015	18,528,367	$0.63 - $1.69	$ 0.92
Exercisable, December 31, 2015	18,006,488	$0.63 - $1.69	$ 0.92

LIGHTWAVE LOGIC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NOTE 8 STOCK BASED COMPENSATION (CONTINUED)

The aggregate intrinsic value of options and warrants outstanding and exercisable as of December 31, 2015 was $0. The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and warrants and the closing stock price of $.585 for our common stock on December 31, 2015. The total intrinsic value of options and warrants exercised during the year ended December 31, 2014 was $232,139. No options or warrants were exercised during 2015.

	Non-Qualified Stock Options and Warrants Outstanding		
Range of Exercise Prices	Number Outstanding Currently Exercisable at December 31, 2015	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price of Options and Warrants Currently Exercisable
$0.63 - $1.69	18,006,488	4.86 Years	$0.92

NOTE 9 RELATED PARTY

At December 31, 2015 the Company had a legal accrual to related party of $1,420 and travel and office expense accruals of officers in the amount of $3,649. At December 31, 2014 the Company had a legal accrual to related party of $8,258 and travel and office expense accruals of officers in the amount of $1,144.

NOTE 10 RETIREMENT PLAN

The Company established a 401(k) retirement plan covering all eligible employees beginning November 15, 2013. There were no contributions charged to expense in 2015 and 2014.

NOTE 11 SUBSEQUENT EVENTS

In December 2015, the board of directors approved a grant to a senior advisor effective January 1, 2016 of a warrant to purchase up to 125,000 shares of common stock at a purchase price of $0.60 per share. Using the Black-Scholes Option Pricing Formula, the warrant was valued at $44,868, fair value. The warrant expires in 5 years and vests 31,250 immediately and the remaining in equal monthly installments of 9,375 over the next 10 months. The warrant is expensed over the vesting terms.

In February 2016, the Company issued options to the Company s six independent directors to each purchase 50,000 shares of common stock at a purchase price of $0.68 per share. The options were each valued at $21,475 using the Black-Scholes Option Pricing Formula. The options expire in 10 years with 20,000 vesting immediately and the remainder vesting in quarterly equal installments of 10,000 commencing April 1, 2016. The options are expensed over the vesting terms.

In January 2016, the Company signed a Purchase Agreement with an institutional investor to sell up to $20,000,000 of common stock. The Company also entered into a Registration Rights Agreement with the institutional investor whereby the Company agreed to file a registration statement related to the transaction with the U.S. Securities and Exchange Commission registering 5,000,000 shares of the Company s common stock. The registration statement was filed on February 16, 2016. Under the Purchase Agreement and at Company's sole discretion, the institutional investor has committed to invest up to $20,000,000 in common stock over a 36-month period. The new Purchase Agreement provides more flexibility for the Company than the previous 2013 Purchase Agreement which was terminated on February 1, 2016.

LIGHTWAVE LOGIC, INC.

12,955,136 SHARES OF COMMON STOCK

PROSPECTUS

The Date of This Prospectus is April 7, 2016