

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from _____ to _____

Commission File Number 0-52567

Lightwave Logic, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

82-0497368

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

369 Inverness Parkway, Suite 350
Englewood, CO

(Address of principal executive offices)

80112

(Zip Code)

(720) 340-4949

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Title of each class

Trading Symbol(s)

Name of exchange on which registered

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. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated Filer ☒

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of the registrant's common stock outstanding as of August 16, 2021 was 107,764,931.

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Forward-Looking Statements

This report on Form 10-Q contains, and our officers and representatives may from time to time make, "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "continuing," "ongoing," "strategy," "future," "likely," "may," "should," "could," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding expected operating results, such as anticipated revenue; anticipated levels of capital expenditures for our current fiscal year; our belief that we have, or will have, sufficient liquidity to fund our business operations during the next 12 months; strategy for gaining customers, growth, product development, market position, financial results and reserves.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations, and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: lack of available funding; general economic and business conditions; deterioration in global economic and financial market conditions generally including as a result of pandemic health issues caused by COVID-19 and its recent variants and their effects, competition from third parties; intellectual property rights of third parties; regulatory constraints; changes in technology and methods of marketing; delays in completing various engineering and manufacturing programs; changes in customer order patterns; changes in product mix; success in technological advances and delivering technological innovations; shortages in components; production delays due to performance quality issues with outsourced components; and other factors beyond the Company's control.

The ultimate correctness of these forward-looking statements depends upon a number of known and unknown risks and events. We discuss our known material risks under Item 1.A "Risk Factors" contained in our Company's Annual Report on Form 10-K for the year ended December 31, 2020. Many factors could cause our actual results to differ materially from the forward-looking statements. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The forward-looking statements speak only as of the date on which they are made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events.

PART I – FINANCIAL INFORMATION

Item 1 Financial Statements

LIGHTWAVE LOGIC, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

(UNAUDITED)

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LIGHTWAVE LOGIC, INC.

BALANCE SHEETS

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
ASSETS		

CURRENT ASSETS

Cash and cash equivalents	\$	13,913,519	\$	3,306,590
Prepaid expenses and other current assets		432,517		567,185
		<u>14,346,036</u>		<u>3,873,775</u>

PROPERTY AND EQUIPMENT - NET		2,136,500		1,873,549
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OTHER ASSETS

Intangible assets - net		890,334		916,000
Operating Lease - Right of Use - Building		621,304		703,454
		<u>1,511,638</u>		<u>1,619,454</u>

TOTAL ASSETS	\$	<u>17,994,174</u>	\$	<u>7,366,778</u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$	134,890	\$	169,247
Current portion of equipment purchase		—		13,107
Accounts payable and accrued expenses - related parties		71,991		49,797
Deferred lease liability		41,778		41,778
Paycheck Protection Program advance		—		410,700
Operating lease liability		172,509		167,007
Accrued expenses		66,374		81,396
		<u>487,542</u>		<u>933,032</u>

LONG TERM LIABILITIES

Deferred lease liability		100,964		121,853
Operating lease liability		448,795		536,447
		<u>549,759</u>		<u>658,300</u>

TOTAL LIABILITIES		<u>1,037,301</u>		<u>1,591,332</u>
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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, 107,335,110 and 97,775,789 issued and outstanding at June 30, 2021 and December 31, 2020		107,336		97,776
Additional paid-in-capital		94,095,566		76,649,170
Accumulated deficit		<u>(77,246,029)</u>		<u>(70,971,500)</u>

TOTAL STOCKHOLDERS' EQUITY		<u>16,956,873</u>		<u>5,775,446</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	<u>17,994,174</u>	\$	<u>7,366,778</u>
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See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS AND SIX ENDING JUNE 30, 2021 AND 2020
(UNAUDITED)

	For the Three Months Ending June 30, 2021	For the Three Months Ending June 30, 2020	For the Six Months Ending June 30, 2021	For the Six Months Ending June 30, 2020
NET SALES	\$ —	\$ —	\$ —	\$ —
COST AND EXPENSE				
Research and development	2,782,243	1,057,470	4,129,785	2,247,241
General and administrative	674,000	574,803	1,222,229	1,181,228
	<u>3,456,243</u>	<u>1,632,273</u>	<u>5,352,014</u>	<u>3,428,469</u>
LOSS FROM OPERATIONS	(3,456,243)	(1,632,273)	(5,352,014)	(3,428,469)
OTHER INCOME (EXPENSE)				
Paycheck Protection Program loan forgiveness	—	—	410,700	—
Interest income	105	295	413	325
Commitment fee	<u>(1,083,347)</u>	<u>(31,950)</u>	<u>(1,333,628)</u>	<u>(62,958)</u>
NET LOSS	\$ <u>(4,539,485)</u>	\$ <u>(1,663,928)</u>	\$ <u>(6,274,529)</u>	\$ <u>(3,491,102)</u>

Basic and Diluted Loss per Share	\$ (0.04)	\$ (0.02)	\$ (0.06)	\$ (0.04)
Basic and Diluted Weighted Average Number of Shares	104,125,843	90,641,867	101,969,122	89,566,849

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)

SIX-MONTH PERIOD ENDED JUNE 30, 2021

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
BALANCE AT DECEMBER 31, 2020 (AUDITED)	97,775,789	\$ 97,776	\$ 76,649,170	\$ (70,971,500)	\$ 5,775,446
Common stock issued to institutional investor	8,062,500	8,063	13,965,186	—	13,973,249
Common stock issued for commitment shares	454,138	454	1,333,174	—	1,333,628
Exercise of options	710,000	710	618,790	—	619,500
Cashless exercise of 240,627 options	132,683	133	863,705	—	863,838
Exercise of warrants	200,000	200	127,050	—	127,250
Options issued for services	—	—	528,249	—	528,249
Warrants issued for services	—	—	10,242	—	10,242
Net loss for the six months ending June 30, 2020	—	—	—	(6,274,529)	(6,274,529)
BALANCE AT JUNE 30, 2021 (UNAUDITED)	<u>107,335,110</u>	<u>\$ 107,336</u>	<u>\$ 94,095,566</u>	<u>\$ (77,246,029)</u>	<u>\$ 16,956,873</u>

SIX-MONTH PERIOD ENDED JUNE 30, 2020

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
BALANCE AT DECEMBER 31, 2019 (AUDITED)	87,409,600	\$ 87,410	\$ 69,076,240	\$ (64,255,936)	\$ 4,907,714
Common stock issued to institutional investor	4,375,000	4,375	2,757,551	—	2,761,926
Common stock issued for commitment shares	89,767	90	62,868	—	62,958
Options issued for services	—	—	354,958	—	354,958
Warrants issued for services	—	—	50,677	—	50,677
Net loss for the six months ending June 30, 2020	—	—	—	(3,491,102)	(3,491,102)
BALANCE AT JUNE 30, 2020 (UNAUDITED)	<u>91,874,367</u>	<u>\$ 91,875</u>	<u>\$ 72,302,294</u>	<u>\$ (67,747,038)</u>	<u>\$ 4,647,131</u>

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)

THREE-MONTH PERIOD ENDED JUNE 30, 2021

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
BALANCE AT MARCH 31, 2021 (UNAUDITED)	101,758,709	\$ 101,759	\$ 82,119,653	\$ (72,706,544)	\$ 9,514,868
Common stock issued to institutional investor	4,270,589	4,271	9,015,006	—	9,019,277
Common stock issued for commitment shares	293,129	293	1,083,054	—	1,083,347
Exercise of options	680,000	680	597,820	—	598,500
Cashless exercise of 210,627 options	132,683	133	863,705	—	863,838
Exercise of warrants	200,000	200	127,050	—	127,250
Options issued for services	—	—	287,001	—	287,001
Warrants issued for services	—	—	2,277	—	2,277
Net loss for the three months ending June 30, 2021	—	—	—	(4,539,485)	(4,539,485)
BALANCE AT JUNE 30, 2021 (UNAUDITED)	<u>107,335,110</u>	<u>\$ 107,336</u>	<u>\$ 94,095,566</u>	<u>\$ (77,246,029)</u>	<u>\$ 16,956,873</u>

THREE-MONTH PERIOD ENDED JUNE 30, 2020

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
BALANCE AT MARCH 31, 2020 (UNAUDITED)	89,578,547	\$ 89,579	\$ 70,690,553	\$ (66,083,110)	\$ 4,697,022
Common stock issued to institutional investor	2,250,000	2,250	1,407,563	—	1,409,813
Common stock issued for commitment shares	45,820	46	31,904	—	31,950
Options issued for services	—	—	148,521	—	148,521
Warrants issued for services	—	—	23,753	—	23,753
Net loss for the three months ending June 30, 2020	—	—	—	(1,663,928)	(1,663,928)
BALANCE AT JUNE 30, 2020 (UNAUDITED)	<u>91,874,367</u>	<u>\$ 91,875</u>	<u>\$ 72,302,294</u>	<u>\$ (67,747,038)</u>	<u>\$ 4,647,131</u>

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.
STATEMENTS OF CASH FLOW
FOR THE SIX MONTHS ENDING JUNE 30, 2021 AND 2020
(UNAUDITED)

	For the Six Months Ending June 30, 2021	For the Six Months Ending June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (6,274,529)	\$ (3,491,102)
Adjustment to reconcile net loss to net cash used in operating activities		
Warrants issued for services	10,242	50,677
Stock options issued for services	528,249	354,958
Cashless option exercise	1,317,223	—
Common stock issued for services and fees	1,333,628	62,958
Depreciation and amortization of patents	417,414	396,101
Paycheck Protection Program loan forgiveness	(410,700)	—
(Increase) decrease in assets		
Prepaid expenses and other current assets	134,668	(183,862)
(Decrease) increase in liabilities		
Accounts payable	(34,357)	48,430
Accounts payable and accrued expenses- related parties	22,194	60,455
Deferred lease liability	(20,889)	(20,890)
Paycheck Protection Program loan	—	410,700
Accrued expenses	(15,022)	(32,626)
Net cash used in operating activities	<u>(2,991,879)</u>	<u>(2,344,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cost of intangibles	(18,221)	(29,101)
Purchase of property and equipment	(636,478)	(9,877)
Net cash used in investing activities	<u>(654,699)</u>	<u>(38,978)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of options and warrants	746,750	—
Cashless option exercise tax payments	(453,385)	—
Issuance of common stock, institutional investor	13,973,249	2,761,926
Repayment of equipment purchase payable	(13,107)	(392,778)
Net cash provided by financing activities	<u>14,253,507</u>	<u>2,369,148</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,606,929	(14,031)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>3,306,590</u>	<u>2,236,344</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 13,913,519</u>	<u>\$ 2,222,313</u>

See accompanying notes to these financial statements.

LIGHTWAVE LOGIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1- NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements

The accompanying unaudited financial statements have been prepared by Lightwave Logic, Inc. (the "Company"). These statements include all adjustments (consisting only of its normal recurring adjustments) which management believes necessary for a fair presentation of the statements and have been prepared on a consistent basis using the accounting policies described in the Summary of Significant Accounting Policies included in the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on March 31, 2021 (the "2020 Annual Report"). Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although the Company firmly believes that the accompanying disclosures are adequate to make the information presented not misleading. The financial statements should be read in conjunction with the financial statements and notes thereto included in the 2020 Annual Report. The interim operating results for the three and six months ending June 30, 2021 may not be indicative of operating results expected for the full year.

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 to obtain a revenue stream from datacom and telecom devices, sales of non-linear optical polymers, and product development agreements prior to moving into full-scale 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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which spread throughout the United States. The Company is currently operating under the guidelines of the State of Colorado Department of Public Health and Environment and the Governor of Colorado's Executive Order, Safer-at Home, as amended.

Stock-based Payments

The Company accounts for stock-based compensation under the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 straight-line method. In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting* (the "2018 Update"). The amendments in the 2018 Update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Prior to the 2018 Update, Topic 718 applied only to share-based transactions to employees. Consistent with the accounting requirement for employee share-based payment awards, nonemployee share-based payment awards within the scope of Topic 718 are measured at grant-date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered and any other conditions necessary to earn the right to benefit from the instruments have been satisfied.

The Company has elected to account for forfeiture of stock-based awards as they occur.

LIGHTWAVE LOGIC, INC. NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

NOTE 1- NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss Per Share

The Company follows FASBASC 260, "Earnings per Share", resulting in the presentation of basic and diluted earnings per share. Because the Company reported a net loss in 2021 and 2020, common stock equivalents, including stock options and warrants were anti-dilutive; therefore, the amounts reported for basic and dilutive loss per share were the same.

Comprehensive Income

The Company follows FASB ASC 220.10, "Reporting Comprehensive Income (Loss)." Comprehensive income (loss) 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 (loss). Since the Company has no items of other comprehensive income (loss), comprehensive income (loss) is equal to net income (loss).

Recently Issued Accounting Pronouncements Not Yet Adopted

As of June 30, 2021, there are no recently issued accounting standards not yet adopted which would have a material effect on the Company's financial statements.

Recently Adopted Accounting Pronouncements

As of June 30, 2021 and for the period then ended, there are no recently adopted accounting standards that have a material effect on the Company's financial statements.

NOTE 2 – MANAGEMENT'S PLANS

Our future expenditures and capital requirements will depend on numerous factors, including: the impact of the COVID-19 pandemic; 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 \$816,000 of expenditures per month over the next 12 months. Our current cash position enables us to finance our operations through November 2022. On July 2, 2021, the Company filed a \$100,000,000 universal shelf registration statement with the U.S. Securities and Exchange Commission which became effective on July 9, 2021. Our cash requirements are expected to increase at a rate consistent with the Company's path to revenue as we expand our activities and operations with the objective of commercializing our electro-optic polymer technology. We currently have no debt to service.

NOTE 3 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	June 30, 2021	December 31, 2020
Insurance	\$ 232,254	\$ 93,569
License	86,415	25,478
Other	60,907	51,384
Rent	36,525	36,525
Research & Development Credit	16,416	101,629
Deposit for Equipment	—	140,394
Prototype Devices	—	118,206
	<u>\$ 432,517</u>	<u>\$ 567,185</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30, 2021	December 31, 2020
Office equipment	\$ 86,097	\$ 86,097
Lab equipment	4,518,608	3,884,807
Furniture	33,128	33,128
Leasehold improvements	237,043	234,366
	<u>4,874,876</u>	<u>4,238,398</u>
Less: Accumulated depreciation	<u>2,738,376</u>	<u>2,364,849</u>
	<u>\$ 2,136,500</u>	<u>\$ 1,873,549</u>

Depreciation expense for the six months ending June 30, 2021 and 2020 was \$373,527 and \$354,381. Depreciation expense for the three months ending June 30, 2021 and 2020 was \$199,522 and \$176,088. During the three and six months ending June 30, 2021 and 2020, the Company did not retire or sell property and equipment.

LIGHTWAVE LOGIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 – INTANGIBLE ASSETS

This represents legal fees and patent fees associated with the prosecution of patent applications. The Company has recorded amortization expense on patents granted, which are amortized over the remaining legal life. Maintenance patent fees are paid to a government patent authority to maintain a granted patent in force. Some countries require the payment of maintenance fees for pending patent applications. Maintenance fees paid after a patent is granted are expensed, as these are considered ongoing costs to "maintain a patent". Maintenance fees paid prior to a patent grant date are capitalized to patent costs, as these are considered "patent application costs". No amortization expense has been recorded on the remaining patent applications since patents on these applications have yet to be granted.

Patents consist of the following:

	June 30, 2021	December 31, 2020
Patents	\$ 1,345,221	\$ 1,327,000
Less: Accumulated amortization	<u>454,887</u>	<u>411,000</u>
	<u>\$ 890,334</u>	<u>\$ 916,000</u>

Amortization expense for the six months ending June 30, 2021 and 2020 was \$43,887 and \$41,720. Amortization expense for the three months ending June 30, 2021 and 2020 was \$21,314 and \$20,842. There were no patent costs written off for the three and six months ending June 30, 2021 and 2020.

NOTE 6 – LONG TERM EQUIPMENT PURCHASE PAYABLE

Outstanding long term equipment purchase payable is comprised of the following:

Classification	Interest Rate	June 30, 2021	December 31, 2020
Current	0.00%	\$ —	\$ 13,107
Long term	0.00%	—	—
		<u>\$ —</u>	<u>\$ 13,107</u>

LIGHTWAVE LOGIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – COMMITMENTS

On October 30, 2017, the Company entered into a lease agreement to lease approximately 13,420 square feet of office, laboratory and research and development space located in Colorado for the Company's principal executive offices and research and development facility. The term of the lease is sixty-one (61) months, beginning on November 1, 2017 and ending on November 30, 2022. The term shall be extended for an additional twenty-four (24) months, subject to certain conditions, waivable solely by landlord in its sole and absolute discretion. Base rent for the first year of the lease term is approximately \$168,824, with an increase in annual base rent of approximately 3% in each subsequent year of the lease term. As specified in the lease, the Company paid the landlord (i) all base rent for the period November 1, 2017 and ending on October 31, 2019, in the sum of \$347,045; and (ii) the estimated amount of tenant's proportionate share of operating expenses for the same period in the sum of \$186,293. Commencing on November 1, 2019, monthly installments of base rent and one-twelfth of landlord's estimate of tenant's proportionate share of annual operating expenses shall be due on the first day of each calendar month. The lease also provides that (i) on November 1, 2019 landlord shall pay the Company for the cost of the cosmetic improvements in the amount of \$3.00 per rentable square foot of the premises, and (ii) on or prior to November 1, 2019, the Company shall deposit with Landlord the sum of \$36,524 as a security deposit which shall be held by landlord to secure the Company's obligations under the lease. The lease contains an option to extend the term to October 31, 2024. On October 30, 2017, the Company entered into an agreement with the tenant leasing the premise from the landlord ("Original Lessee") whereby the Original Lessee agreed to pay the Company the sum of \$260,000 in consideration of the Company entering into the lease and landlord agreeing to the early termination of the Original Lessee's lease agreement with landlord. The consideration of \$260,000 was received on November 1, 2017.

Due to the adoption of the new lease standard, the Company has capitalized the present value of the minimum lease payments commencing November 1, 2019, including the additional option period using an estimated incremental borrowing rate of 6.5%. The minimum lease payments do not include common area annual expenses which are considered to be nonlease components.

As of January 1, 2019 the operating lease right-of-use asset and operating lease liability amounted to \$885,094 with no cumulative-effect adjustment to the opening balance of retained earnings/accumulated deficit. The Company has elected not to recognize right-of-use assets and lease liabilities arising from short-term leases.

There are no other material operating leases.

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

YEARS ENDING DECEMBER 31,	AMOUNT
2021	101,254
2022	207,563
2023	213,781
2024	182,624
	705,222
Less discounted interest	(83,918)
TOTAL	\$ 621,304

LIGHTWAVE LOGIC, INC.
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NOTE 7 – COMMITMENTS (CONTINUED)

Rent expense amounting to \$66,933 and \$22,311 is included in research and development and general and administrative expenses for the six months ended June 30, 2021. Rent expense amounting to \$64,718 and \$21,573 is included in research and development and general and administrative expenses for the six months ended June 30, 2020. Rent expense amounting to \$33,466 and \$11,155 is included in research and development and general and administrative expenses for the three months ended June 30, 2021. Rent expense amounting to \$32,359 and \$10,786 is included in research and development and general and administrative expenses for the three months ended June 30, 2020.

NOTE 8 – PAYCHECK PROTECTION PROGRAM ADVANCE

On April 24, 2020, the Company received \$410,700 in loan funding from the Paycheck Protection Program, established pursuant to the Coronavirus Aid, Relief, and Economic Security Act enacted on March 27, 2020 and administered by the U.S. Small Business Administration. The unsecured loan is evidenced by a promissory note of the Company dated April 23, 2020 in the principal amount of \$410,700, to Community Banks of Colorado, a division of NBH Bank, the lender. The loan proceeds have been used to cover payroll costs, rent and utility costs. The loan was eligible for forgiveness as part of the CARES Act if certain requirements were met. The loan was forgiven by the Small Business Administration in its entirety on January 22, 2021.

NOTE 9 – INCOME TAXES

There is no income tax benefit for the losses for the six months ended June 30, 2021 and 2020 since management has determined that the realization of the net deferred tax asset is not assured and has created a valuation allowance for the entire amount of such benefits.

The Company's policy is to record interest and penalties associated with unrecognized tax benefits as additional income taxes in the statement of operations. As of January 1, 2021, the Company had no unrecognized tax benefits, or any tax related interest or penalties. There were no changes in the Company's unrecognized tax benefits during the period ended June 30, 2021. The Company did not recognize any interest or penalties during 2020 related to unrecognized tax benefits. With few exceptions, the U.S. and state income tax returns filed for the tax years ending on December 31, 2017 and thereafter are subject to examination by the relevant taxing authorities.

NOTE 10 – 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.

LIGHTWAVE LOGIC, INC.
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NOTE 10 – STOCKHOLDERS' EQUITY (CONTINUED)

Common Stock Options and Warrants

In January 2019, the Company signed a purchase agreement with the institutional investor to sell up to \$25,000,000 of common stock. The Company registered 9,500,000 shares pursuant to a registration statement filed on January 30, 2019 which became effective February 13, 2019. The Company issued 350,000 shares of common stock to the institutional investor as an initial commitment fee valued at \$258,125, fair value, and 812,500 shares of common stock are reserved for additional commitment fees to the institutional investor in accordance with the terms of the purchase agreement. The Company registered an additional 6,000,000 shares pursuant to a registration statement filed on January 24, 2020 which became effective February 4, 2020. The Company registered an additional 8,000,000 shares pursuant to a registration statement filed on November 20, 2020 which became effective November 20, 2020. During the period January 2019 through June 30, 2021, the institutional investor purchased 22,337,500 shares of common stock for proceeds of \$23,773,924 and the Company issued 772,666 shares of common stock as additional commitment fee, valued at \$1,575,509, fair value, leaving 39,834 in reserve for additional commitment fees. During the six month period ending June 30, 2021, the institutional investor purchased 8,062,500 shares of common stock for proceeds of \$13,973,249 and the Company issued 454,138 shares of common stock as additional commitment fee, valued at \$1,333,628, fair value. During the three month period ending June 30, 2021, the institutional investor purchased 4,270,589 shares of common stock for proceeds of \$9,019,277 and the Company issued 293,129 shares of common stock as additional commitment fee, valued at \$1,083,347, fair value. All of the registered shares under the purchase agreement have been issued as of June 30, 2021.

On July 2, 2021, the Company filed a \$100,000,000 universal shelf registration statement with the U.S. Securities and Exchange Commission which became effective on July 9, 2021.

NOTE 11 – STOCK BASED COMPENSATION

During 2007, the Board of Directors of the Company adopted the 2007 Employee Stock Plan ("2007 Plan") that was approved by the shareholders. Under the 2007 Plan, the Company is authorized to grant options to purchase up to 10,000,000 shares of common stock to directors, officers, employees and consultants who provide services to the Company. The 2007 Plan is intended to permit stock options granted to employees under the 2007 Plan to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended ("Incentive Stock Options"). All options granted under the 2007 Plan, which are not intended to qualify as Incentive Stock Options are deemed to be non-qualified options ("Non-Statutory Stock Options"). Effective June 24, 2016, the 2007 Plan was terminated. As of June 30, 2021, options to purchase 4,040,000 shares of common stock have been issued and are outstanding.

LIGHTWAVE LOGIC, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – STOCK BASED COMPENSATION (CONTINUED)

During 2016, the Board of Directors of the Company adopted the 2016 Equity Incentive Plan ("2016 Plan") that was approved by the shareholders at the 2016 annual meeting of shareholders on May 20, 2016. Under the 2016 Plan, the Company is authorized to grant awards of incentive and non-qualified stock options and restricted stock to purchase up to 3,000,000 shares of common stock to employees, directors and consultants. Effective May 16, 2019, the number of shares of the Company's common stock available for issuance under the 2016 Plan was increased from 3,000,000 to 8,000,000 shares. As of June 30, 2021, options to purchase 4,175,623 shares of common stock have been issued and are outstanding and 3,283,750 shares of common stock remain available for grants under the 2016 Plan.

Both plans are administered by the Company's Board of Directors or its compensation committee which determines the persons to whom awards will be granted, the number of awards to be granted, and the specific terms of each grant. Subject to the provisions regarding Ten Percent Shareholders, (as defined in the 2016 Plan), the exercise price per share of each option cannot be less than 100% of the fair market value of a share of common stock on the date of grant. Options granted under the 2016 Plan are generally exercisable for a period of 10 years from the date of grant and may vest on the grant date, another specified date or over a period of time.

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award, with the following assumptions for 2021: no dividend yield in all years, expected volatility, based on the Company's historical volatility, 70.4% to 71.8%, risk-free interest rate between 1.15% to 1.73% and expected option life of 10 years. Prior to May 2018, the expected life is based on the estimated average of the life of options using the "simplified" method, as prescribed in FASB ASC 718, due to insufficient historical exercise activity during recent years. Starting in May 2018, the expected life is based on the legal contractual life of options.

As of June 30, 2021, there was \$779,323 of unrecognized compensation expense related to non-vested market-based share awards that is expected to be recognized through March 2023.

Share-based compensation was recognized as follows:

	For the Six Months Ending June 30, 2021	For the Six Months Ending June 30, 2020
2007 Employee Stock Option Plan	\$ —	\$ —
2016 Equity Incentive Plan	528,249	354,958
Warrants	10,242	50,677
Total share-based compensation	\$ 538,491	\$ 405,635

LIGHTWAVE LOGIC, INC.
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NOTE 11 – STOCK BASED COMPENSATION (CONTINUED)

The following tables summarize all stock option and warrant activity of the Company during the six months ended June 30, 2021:

	Non-Qualified Stock Options and Warrants Outstanding and Exercisable		
	Number of Shares	Exercise Price	Weighted Average Exercise Price
Outstanding, December 31, 2020	10,022,500	\$0.51 - \$1.69	\$ 0.84
Granted	965,000	\$1.27 - \$1.60	\$ 1.46
Forfeited	(6,250)	\$0.83	\$ 0.83
Exercised	(1,150,627)	\$0.63 - \$1.50	\$ 0.84
Outstanding, June 30, 2021	9,830,623	\$0.51 - \$1.69	\$ 0.90
Exercisable, June 30, 2021	9,002,292	\$0.51 - \$1.69	\$ 0.86

The aggregate intrinsic value of options and warrants outstanding and exercisable as of June 30, 2021 was \$122,380,234. 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 \$14.45 for the Company's common stock on June 30, 2021. During the six month period ending June 30, 2021, 710,000 options were exercised for proceeds of \$619,500, 200,000 warrants were exercised for proceeds of \$127,250 and 240,627 options were exercised via cashless method.

Non-Qualified Stock Options and Warrants Outstanding			
Range of Exercise Prices	Number Outstanding Currently Exercisable at June 30, 2021	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price of Options and Warrants Currently Exercisable
\$0.51 - \$1.69	9,002,292	5.04 Years	\$0.86

NOTE 12 – RELATED PARTY

At June 30, 2021 the Company had a legal accrual to related party of \$66,253, travel and office expense accruals of officers in the amount of \$3,338 and accounting service fee accrual to a related party of \$2,400. At December 31, 2020, the Company had a legal accrual to related party of \$30,100, director fees accrued in the amount of \$10,000, travel and office expense accruals of officers in the amount of \$7,177 and accounting service fee accrual to a related party of \$2,520.

LIGHTWAVE LOGIC, INC.
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NOTE 13 – RETIREMENT PLAN

The Company established a 401(k) retirement plan covering all eligible employees beginning November 15, 2013. For the six months ending June 30, 2021 and 2020, a contribution of \$28,431 and \$27,828 was charged to expense for all eligible non-executive participants. For the three months ending June 30, 2021 and 2020, a contribution of \$15,127 and \$14,748 was charged to expense for all eligible non-executive participants.

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management. This information should also be read in conjunction with our audited historical financial statements which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the Securities and Exchange Commission on March 31, 2021.

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 included restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. The COVID-19 pandemic, including the recently identified variants of the COVID-

19 virus, has had and continues to have a significant impact on local, state, national and global economies. The actions taken by governments, as well as businesses and individuals, to limit the spread of the disease has significantly disrupted the Company's normal activities. Numerous businesses, including some of our contractors, collaborative partners and suppliers, have either shut down or are operating on a limited basis with employees working from home, some employees have been furloughed or laid off and social distancing has been mandated through stay-at-home orders, and continues with the Safer-at-Home orders, as amended. The Company expects these actions to have a significant impact on the Company's results of operations, particularly with respect to research and development, and financial position. The full extent of the impact to the Company due to the impact of the COVID-19 pandemic cannot be currently determined, particularly in light of the recently identified variants of the COVID-19 virus and the potential re-imposition of restrictions currently being considered by federal, state and local governments and in certain states presently implemented. The extent to which the COVID-19 pandemic will impact the Company will depend on future developments, which are highly uncertain and cannot be reasonably predicted, including the duration of the outbreak, the increase or reduction in governmental restrictions to businesses and individuals, the apparent resurgence of the virus and other factors. The longer the COVID-19 pandemic continues, the greater the potential negative financial effect on the Company.

Overview

Lightwave Logic, Inc. is a development stage company moving toward commercialization of next generation electro-optic photonic devices made on its P²ICTM technology platform which uses in-house proprietary high-activity and high-stability organic polymers. Electro-optical devices convert data from electric signals into optical signals for multiple applications.

Our differentiation at the device level is in higher speed, lower power consumption, simplicity of manufacturing and reliability. We have demonstrated higher speed and lower power consumption in packaged devices, and during 2019, we developed new materials that promise to further lower power consumption. We are currently focused on testing and demonstrating the simplicity of manufacturability and reliability of our devices, including in conjunction with the silicon photonics manufacturing ecosystem.

We are initially targeting applications in data communications and telecommunications markets and are exploring other applications for our polymer technology platform.

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Materials Development

Our Company designs and synthesizes organic chromophores for use in its own proprietary electro-optic *polymer systems* and photonic device designs. A polymer system is not solely a material, but also encompasses various technical enhancements necessary for its implementation. These include host polymers, poling methodologies, and molecular spacer systems that are customized to achieve specific optical properties. Our organic electro-optic polymer systems compounds are mixed into solution form that allows for thin film application. Our proprietary electro-optic polymers are designed at the molecular level for potentially superior performance, stability and cost-efficiency. We believe they have the potential to replace more expensive, higher power consuming, slower-performance materials and devices used in fiber-optic communication networks.

Our patented and patent pending molecular architectures are based on a well-understood chemical and quantum mechanical occurrence known as *aromaticity*. Aromaticity provides a high degree of molecular stability that enables our core molecular structures to maintain stability under a broad range of operating conditions.

We expect our patented and patent-pending optical materials along with trade secrets and licensed materials, to be the core of and the enabling technology for future generations of optical devices, modules, sub-systems and systems that we will develop or potentially out-license to electro-optic device manufacturers. Our Company contemplates future applications that may address the needs of semiconductor companies, optical network companies, Web 2.0 media companies, high performance computing companies, telecommunications companies, aerospace companies, and government agencies.

Device Design and Development

Electro-optic Modulators

Our Company designs its own proprietary electro-optical modulation devices. Electro-optical modulators convert data from electric signals into optical signals that can then be transmitted over high-speed fiber-optic cables. Our modulators are electro-optic, meaning they work because the optical properties of the polymers are affected by electric fields applied by means of electrodes. Modulators are key components that are used in fiber optic telecommunications, data communications, and data centers networks etc., to convey the high data flows that have been driven by applications such as pictures, video streaming, movies etc., that are being transmitted through the Internet. Electro-optical modulators are expected to continue to be an essential element as the appetite and hunger for data increases every year.

Polymer Photonic Integrated Circuits (P²ICTM)

Our Company also designs its own proprietary polymer photonic integrated circuits (otherwise termed a polymer PIC). A polymer PIC is a photonic device that integrates several photonic functions on a single chip. We believe that our technology can enable the ultra-miniaturization needed to increase the number of photonic functions residing on a semiconductor chip to create a progression like what was seen in the computer integrated circuits, commonly referred to as Moore's Law. One type of integration is to combine several instances of the same photonic functions such as a plurality of modulators to create a 4-channel polymer PIC. In this case, the number of photonic components would increase by a factor of 4. Another type is to combine different types of devices including from different technology bases such as the combination of a semiconductor laser with a polymer modulator. Our P²ICTM platform encompasses both these types of architecture.

Current photonic technology today is struggling to reach faster device speeds. Our modulator devices, enabled by our electro-optic polymer material systems, work at extremely high frequencies (wide bandwidths) and possess inherent advantages over current crystalline electro-optic material contained in most modulator devices such as lithium niobate (LiNbO₃), indium phosphide (InP), silicon (Si), and gallium arsenide (GaAs). Our advanced electro-optic polymer platform is creating a new class of modulators such as the Polymer StackTM and associated PIC platforms that can address higher data rates in a lower cost, lower power consuming manner, with much simpler modulation techniques.

Our electro-optic polymers can be integrated with other materials platforms because they can be applied as a thin film coating in a fabrication clean room such as may be found in semiconductor foundries. This approach we call Polymer PlusTM. Our polymers are unique in that they are stable enough to seamlessly integrate into existing CMOS, Indium Phosphide (InP), Gallium Arsenide (GaAs), and other semiconductor manufacturing lines. Of particular relevance are the integrated silicon photonics platforms that combine optical and electronic functions. These include a miniaturized modulator for ultra-small footprint applications in which we term the Polymer SlotTM. This design is based on a slot modulator fabricated into semiconductor wafers that include both silicon and indium phosphide.

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Business Strategy

Our business strategy 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 to:

- Further the development of proprietary organic electro-optic polymer material systems
- Develop photonic devices based on our P²ICTM technology
- Continue to develop proprietary intellectual property
- Grow our commercial device development capabilities
- Grow our product reliability and quality assurance capabilities
- Grow our optoelectronic packaging and testing capabilities
- Grow our commercial material manufacturing capabilities
- Maintain/develop strategic relationships with major telecommunications and data communications companies to further the awareness and commercialization of our technology platform
- Continue to add high-level personnel with industrial and manufacturing experience in key areas of our materials and device development programs.

Create Organic Polymer-Enabled Electro-Optic Modulators

We intend to utilize our proprietary optical polymer technology to create an initial portfolio of commercial electro-optic polymer product devices with applications for various markets, including telecommunications, data communications and data centers. These product devices will be part of our proprietary photonics integrated circuit (PIC) technology platform.

We expect our initial modulator products will operate at data rates at least 50 Gbaud (capable of 50 Gbps with standard data encoding of NRZ and 100 Gbps with more complex PAM-4 encoding). Our devices are highly linear, enabling the performance required to take advantage of the more advance complex encoding schemes. We are currently developing our polymer technology to operate at the next industry node of 100Gbaud.

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 polymer optical materials. They include:

Ridge Waveguide Modulator, Polymer Stack™

Our ridge electro-optic waveguide modulator was designed and fabricated in our in-house laboratory. 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. In September 2017 we announced that our initial alpha prototype ridge waveguide modulator, enabled by our P²ICTM polymer system, demonstrated bandwidth performance levels that will enable 50 Gbaud modulation in fiber-optic communications. This device demonstrated true amplitude (intensity) modulation in a Mach-Zehnder modulator structure incorporating our polymer waveguides. This important achievement will allow users to utilize arrays of 4 x 50 Gbaud (4x 100 Gbps) polymer modulators using PAM-4 encoding to access 400 Gbps data rate systems. These ridge waveguide modulators are currently being packaged with our partner into prototype packages.

These prototype packages enable potential customers to evaluate the performance at 50 Gbaud. Once a potential customer generates technical feedback on our prototype, we expect to be asked to optimize the performance to their specifications. Assuming this is successful, we expect to enter a qualification phase where our prototypes will be evaluated more fully.

In parallel, we are developing modulators for scalability to higher data rates above 50 Gbaud. In September 2018, we showed in conference presentations the potential of our polymer modulator platform to operate at over 100 GHz bandwidth. This preliminary result corresponds to 100 Gbaud data rates using a simple NRZ data encoding scheme or 200 Gbps with PAM-4 encoding. With 4 channel arrays in our P²ICTM platform, the Company thus has the potential to address both 400 Gbps and 800 Gbps markets. While customers may start the engagement at 50 Gbaud, we believe potential customers recognize that scalability to higher speeds is an important differentiator of the polymer technology.

We believe the ridge waveguide modulator Polymer Stack™ represents our first commercially viable device and targets the fiber optics communications market. We have completed internal market analysis and are initially targeting interconnect reach distances of greater than 10km. In these markets, the system network companies are looking to implement modulator-based transceivers that can handle aggregated data rates 100 Gbps and above. The market opportunity for greater than 10km is worth over \$1B over the next decade.

Ridge Waveguide Modulator, Polymer Stack™

Using the ridge waveguide design, we are developing a more compact modulator to be implemented directly with existing integrated photonics platforms such as silicon photonics and Indium Phosphide. As our electro-optic polymers are applied in liquid form, they can be deposited as a thin film coating in a fabrication clean room such as may be found in semiconductor foundries. This approach we call Polymer Plus™. The advantage of this approach is that it allows existing semiconductor integrated photonics platforms such as silicon photonics and indium phosphide to be upgraded with higher speed modulation functionality with the use of polymers in a straight-forward and simple approach. Further, our polymers are unique in that they are stable enough to seamlessly integrate into existing CMOS, Indium Phosphide (InP), Gallium Arsenide (GaAs), and other semiconductor manufacturing lines.

A large majority of commercial silicon photonics platforms utilize large silicon photonics foundries such as those that manufacture IC products for a number of applications such as communications, computing, consumer, etc. In order to seamlessly integrate our polymer materials to upgrade for example, silicon photonics designs, partnering with a silicon foundry is necessary.

Advanced Modulator Structures

As part of supporting further improvement and scalability of our platform, we continue to explore more advanced device structures. Our functional polymer photonics 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 polymer photonics slot waveguide modulators demonstrated several promising characteristics. The tested polymer photonic 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 which is called Polymer Slot™, 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 4 x 10Gbps, inorganic, lithium niobate modulators that would require approximately 12-16 volts to move the same amount of information.

We are continuing our collaborative development of our polymer photonic slot waveguide modulators (Polymer Slot™) with an associated third-party research . We are now designing Polymer Slot™ modulators to operate at data rates greater than 50 Gbaud.

Our Long-Term Device Development Goal - Multichannel Polymer Photonic Integrated Circuit (P²IC™)

Our P²IC™ platform is positioned to address markets with aggregated data rates of 100 Gbaud, 400 Gbaud, 800 Gbaud and beyond. Our P²IC™ platform will contain a number of photonic devices that may include, over and above polymer-based modulators, photonic devices such as lasers, multiplexers, demultiplexers, detectors, fiber couplers.

While our polymer-based ridge waveguide and slot modulators are currently under development to be commercially viable products, our long-term device development goal is to produce a platform for the 400 Gbps and beyond transceiver market. This has been stated in our photonics product roadmap that is publicly available on our website. The roadmap shows a progression in speed from 50 Gbaud based ridge waveguide modulators to 100 Gbaud based ridge waveguide modulators. The roadmap shows a progression in integration in which the modulators are arrayed to create a flexible, multichannel P²IC™ platform that spans 100 Gbps, 400 Gbps, 800 Gbps, and a scaling philosophy that will grow to 1.6 Tbps aggregated data-rate markets.

We showed bandwidths of polymer-based modulator devices at a major international conference (ECOC – European Conference on Optical Communications 2018) with bandwidths that exceeded 100GHz. We noted that to achieve 100Gbaud, the polymer-based modulator only needs to achieve 80GHz bandwidth. During ECOC 2019, we showed environmental stability. We continue to develop our polymer materials and device designs to optimize additional metrics. We are now optimizing the device parameters for very low voltage operation.

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Our Target Markets

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.

Datacenters have grown to enormous sizes with hundreds of thousands and even millions of servers in a single datacenter. The number of so-called "hyperscale" datacenters are expected to continue to increase in number. Due to their size, a single "datacenter" may consist of multiple large warehouse-size buildings on a campus or even several locations distributed around a metropolitan area. Data centers are confronted with the problem of moving vast amounts of data not only around a single data center building, but also between buildings in distributed data center architecture. Links within a single datacenter building may be shorter than 500 meters, though some will require optics capable of 2 km. Between datacenter buildings, there is an increasing need for high performance interconnects over 10km in reach.

Our modulators are suitable for single-mode fiber optic links. We believe that our single mode modulator solutions will be competitive at 500m to 10km link distances, but it will be ideally suited at greater than 10km link distances.

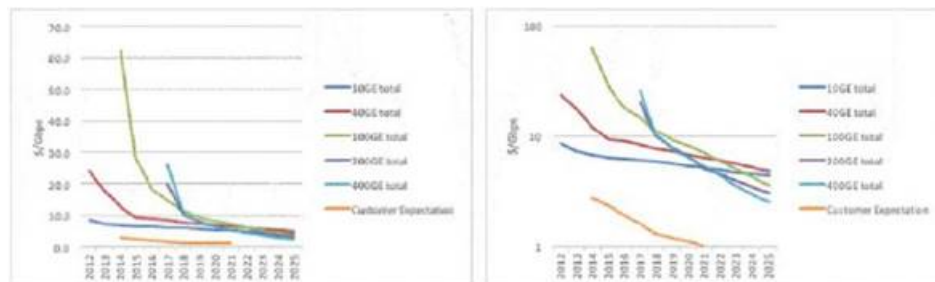
Telecommunications/Data Communications

The telecommunications industry has evolved from transporting traditional analogue voice data over copper wire into the movement of digital voice and data. Telecommunication companies are faced with the enormous increasing challenges to keep up with the resulting tremendous explosion in demand for bandwidth. The metropolitan network is especially under stress now and into the near future. Telecommunications companies provide services to some data center customers for the inter-data center connections discussed above. 5G mobile upgrade, autonomous driving and IoT are expected to increase the need for data stored and processed close to the end user in edge data centers. This application similarly requires optics capable of very high speeds and greater than 10 km reach.

Industry issues of scaling

The key issues facing the fiber-optic communications industry are the economic progress and scalability of any PIC based technological platform. The polymer platform is unique in that it is truly scalable. Scalable means being able to scale up for high-speed data rates, while simultaneously being able to scale down in cost. This allows a competitive cost per data rate or cost per Gbps metric to be achieved.

Fiber optic datacenter and high-performance computing customers want to achieve the metric of \$1/Gbps @ 400Gbps (this essentially means a single mode fiber optic link that has a total cost of \$400 and operates with a data rate of 400Gbps → which also means that each transceiver at each end of the fiber optic link must be able to be priced at \$200), but as industry tries to match this target, it is already falling behind as can be seen in the Figure below which plots generic typical PIC based technology:

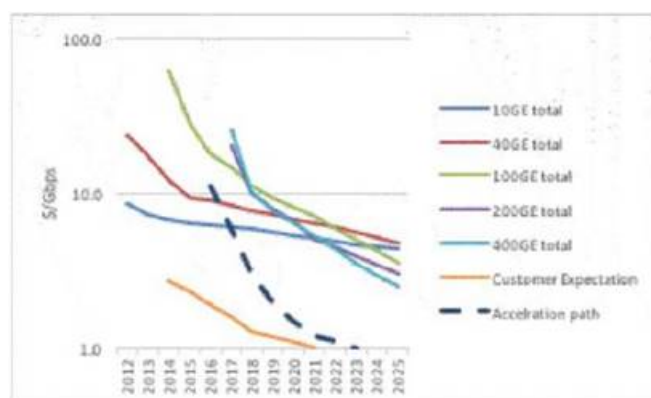


In the above figures that forecast \$/Gbps to 2025 (where the left-hand graph is a linear vertical scale, and the right-hand graph is a log scale), it can be seen that the orange curve plots the customer expectation, while the other color curves show \$/Gbps improvement over time for various high-speed data rate transceivers using PIC based technologies. A gap is appearing between what customer expect and what the technologists can produce.

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Polymers play an important role in PICs over the next decade as they can reduce or close the gap between customer expectations and technical performance through

effective scaling increase of high performance with low cost. This is shown below how polymers have the potential to scale to the needs of the customers over the next 5 years.



Some of the things needed to achieve the scaling performance of polymers in integrated photonics platforms is within sight today:

1. Increased r33 (which leads to very low Vpi in modulator devices) and we are currently optimizing our polymers for this.
2. Increase temperature stability so that the polymers can operate at broader temperature ranges effectively, where we have made significant progress over the past few years.
3. Low optical loss in waveguides and active/passive devices for improved optical budget metrics which is currently an ongoing development program at our Company.
4. Higher levels of hermeticity for lower cost packaging of optical sub-assemblies within a transceiver module, where our advanced designs are being implemented into polymer-based packages.

Scalability in terms of cost reduction and high-volume manufacturing can be enhanced by:

1. Leverage of commercial silicon photonics manufacturing capacity. Our Polymer Plus™ platform seeks to be additive to standard silicon photonics circuits.
2. Reduction of optical packaging costs by integration at the chip level of multiple modulators and also with other optical devices. Our P2IC™ platform seeks to address device integration.

Recent Significant Events and Milestones Achieved

During February and March 2018, we moved our Newark, Delaware synthetic laboratory and our Longmont, Colorado optical testing laboratory and corporate headquarters to office, laboratory and research and development space located at 369 Inverness Parkway, Suite 350, Englewood, Colorado. The 13,420 square foot Englewood facility includes fully functional 1,000 square feet of class 1,000 cleanroom, 500 square feet of class 10,000 cleanroom, chemistry laboratories, and analytic laboratories. The Englewood facility streamlines all of our Company's research and development workflow for greater operational efficiencies.

During March 2018, our Company, together with our packaging partner, successfully demonstrated packaged polymer modulators designed for 50Gbps, which we believe will allow us to scale our P2IC™ platform with our Mach-Zehnder ridge waveguide modulator design as well as other photonics devices competitively in the 100Gbps and 400Gbps datacom and telecommunications applications market. We are currently fine-tuning the performance parameters of these prototypes in preparation for customer evaluations.

During June 2018, our Company Acquired the Polymer Technology Intellectual Property Assets of BrPhotonics Productos Optoelectrónicos S.A., a Brazilian corporation, which significantly advanced our patent portfolio of electro-optic polymer technology with 15 polymer chemistry materials, devices, packaging and subsystems patent and further strengthened our design capabilities to solidify our market position as we prepare to enter the 400Gbps integrated photonics marketplace with a highly competitive, scalable alternative to installed legacy systems.

Also, during June 2018, our Company promoted polymer PICs and Solidified Polymer PICs as Part of the Photonics Roadmap at the World Technology Mapping Forum in Enschede, Netherlands, which includes our Company's technology of polymers and polymer PICs that have the potential to drive not only 400Gbps aggregate data rate solutions, but also 800Gbps and beyond.

In August 2018 we announced the completion (ahead of schedule) of our fully equipped on-site fabrication facility, where we are expanding our high-speed test and design capabilities. We also announced the continuation of the building of our internal expertise with the hiring of world-class technical personnel with 100Gbps experience.

In February 2019 we announced a major breakthrough in our development of clean technology polymer materials that target the insatiable demand for fast and efficient data communications in the multi-billion-dollar telecom and data markets supporting Internet, 5G and IoT (Internet of Things) webscale services. The improved thermally stable polymer has more than double the electro-optic response of our previous materials, enabling optical device performance of well over 100 GHz with extremely low power requirements. This addition to the family of Perkinamine™ polymers will hold back run-away consumption of resources and energy needed to support ever-growing data consumption demands. We continue to conduct testing of the material and assessment of associated manufacturing processes and device structures prior to release to full development.

In March 2019 we created an Advisory Board comprised of three world-class leaders in the photonics industry: Dr. Craig Ciesla, Dr. Christoph S. Harder, and Mr. Andreas Umbach. The Advisory Board is working closely with our Company leadership to enhance our Company's product positioning and promote our polymer modulator made on our proprietary *Faster by Design*™ polymer P2IC™ platform. The mission of the Advisory Board is initially to increase our Company's outreach into the datacenter interconnect market and later to support expansion into other billion-dollar markets. The Advisory Board members have each been chosen for their combination of deep technical expertise, breadth of experience and industry relationships in the fields of fiber optics communications, polymer and semiconductor materials. Each of the Advisory Board members has experience at both innovators like Lightwave Logic and large industry leaders of the type most likely to adopt game-changing polymer-based products. In addition, they possess operational experience with semiconductor and polymer businesses.

Also, in March 2019, our Company received the "Best Achievement in PIC Platform" award for our 100 GHz polymer platform from the PIC International Conference. The award recognizes innovative advances in the development and application of key materials systems driving today's photonic integrated circuits (PICs) and providing a steppingstone to future devices.

During the second quarter of 2019, our Company promoted its polymers at CoInnovate in May and the World Technology Mapping Forum in June. CoInnovate is a meeting of semiconductor industry experts. The World Technology Mapping Forum is a group authoring a photonics roadmap out to 2030.

In September 2019 at the prestigious European Conference on Communications (ECOC) in Dublin, Ireland, we showed measured material response over frequency and the resulting optical data bits stream on our clean technology polymer materials, the newest addition to our family of Perkinamine™ polymers, that meet and exceed of our near-term target speed of 80 GHz. We also released data demonstrating stability under elevated temperatures in the activated (poled to create data carrying capability) state.

In October 2019, we reported that energy-saving polymer technology is highlighted in the recently published Integrated Photonics Systems Roadmap - International (IPSR-I). The roadmap validates the need for low-voltage, high-speed technologies such as ours.

In May 2020, we announced that our latest electro-optic polymer material has exceeded target performance metrics at 1310 nanometers (nm), a wavelength commonly used in high-volume datacenter fiber optics. This material demonstrates an attractive combination at 1310 nm of high electro-optic coefficient, low optical loss and good thermal stability at 85⁰ Celsius. The material is expected to enable modulators with 80 GHz bandwidth and low drive power, and has an electro-optic coefficient of 200 pm/V, an industry measure of how responsive a material is to an applied electrical signal. This metric, otherwise known as r33, is very important in lowering power consumption when the material is used in modulator devices. This technology is applicable to shorter reach datacenter operators, for whom decreasing power consumption is imperative to the bottom line of a facility. We considered this a truly historic moment—not only in our Company's history, but in our industry—as we have demonstrated a polymer material that provides the basis for a world-class solution at the 1310 nm wavelength, something which other companies have spent decades attempting to achieve.

In July 2020, we announced the official launch of our new corporate website www.lightwavelogic.com, reflecting ongoing efforts to provide up-to-date information for investors and potential strategic partners. The revamped website offers a clean, modern design integrated with helpful tools and investor relations resources, including a new corporate explainer video, to illustrate the target markets and advantages of Lightwave Logic's proprietary electro-optic polymers.

In August 2020, we announced the addition of Dr. Franky So, a leading authority in the OLED industry, to our Advisory Board. Dr. So is the Walter and Ida Freeman Distinguished Professor in the Department of Materials Science and Engineering at North Carolina State University. Previously, he was the Head of Materials and Device research for OLEDs at OSRAM Opto Semiconductors, as well as Motorola's corporate research lab in the 1990s. Dr. So was an early researcher in electro-optic (EO) polymer modulators at Hoechst Celanese. As a member of the Company's advisory board, Dr. So will work closely with management to enhance Lightwave's product positioning for, as well as the promotion of, its polymer modulators made on its proprietary platform. In addition, he will provide technical support and advisory services to the Lightwave materials and device teams.

On October 7, 2020, we announced the receipt of U.S. Patent number 10,754,093 that improves both the performance and reliability of our high-speed, low-power electro-optic polymer modulators intended for datacenter and telecommunications applications. The patent allows multi-layered electro-optic polymer modulators to perform more efficiently through the design of custom interfaces. These interfaces are designed into the cladding layers that allow optical transmission, electrical conductivity, material integrity, as well as a prevention of solvents affecting adjacent polymer materials. The net impact of all of this allows for our Company's modulators to improve performance across the board, enabling higher reliability in the fiber optic communications environment.

On October 15, 2020, we announced that our proprietary polymer technologies are compatible with currently available integrated photonics platforms. Our proprietary electro-optic materials are currently in the prototyping phase and are fabricated onto standard silicon wafers, and this Polymer Plus™ advancement, driven by the feedback our Company received from potential customers to-date, has allowed our materials to be suitable for additive integration to integrated photonics platforms such as silicon photonics, as well as indium phosphide and other standard platforms – therefore enabling simpler integration by customers. We believe this breakthrough allows a polymer modulator to enhance the performance of existing integrated photonics solutions in the marketplace, enabling higher speed and lower power consumption on foundry-fabricated photonics designs. Since our technology is additive to existing platforms such as silicon photonics, our electro-optic polymers are not actually competing with integrated photonic platforms, but rather enabling them to be more competitive in the marketplace, and it further validates our EO polymer platform as ideally suited to enable optical networking more efficiently than ever.

On October 21, 2020, we announced that we have optimized a robust, photo-stable organic polymer material for use in our next-generation modulators intended to be trialed with potential customers under NDA. Our materials show high tolerance to high-intensity infrared light, common in a fiber optic communications environment and increasingly important as higher density of devices access the network, directly resulting in higher intensity infrared light levels. Our preliminary results suggest that our recently developed electro-optic polymer material, designed based on potential customer input, displays unrivaled light tolerance (also known as photostability) compared to any organic commercial solution in use today. Our results meet both our current internal criteria and address potential customer feedback.

On November 2, 2020, we disclosed results on our polymer material stability testing including further results for electro-optic efficiency for our Company's materials that operate both at 1550nm as well as 1310nm. We demonstrated test materials results for electro-optic efficiency to 4000hrs, improvement in sensitivity to oxygen as part of a broadband exposure test, and stability for polymers exposed to 1310nm light at 100mW.

On November 20, 2020, we announced the receipt of U.S. Patent number 10,591,755 that details an important invention that allows users of electro-optic polymer modulators to not only operate the devices with high speed and low power directly from CMOS IC chips, but gives them the opportunity to avoid the expense, physical footprint and power consumption of high-speed modulator driver ICs. Furthermore, this patent strengthens our freedom of manufacturing, and directly enables our modulators to become more competitive in the marketplace.

On December 16, 2020, we announced the development of a new sealant for our future Chip-on-Board (COB) packaged polymer platform. The sealant, which blocks oxygen and other atmospheric gases, is a key step in our Company's development towards a polymer modulator without a package, an important enabling technology for the industry. We plan to develop the sealant for commercial implementation in our future modulators. Recent results suggest that our electro-optic polymer sealant material displays encouraging barrier properties and is expected to translate to significant improvement in bare chip robustness against atmospheric gases, as compared to existing EO polymer commercial solutions in use today. While the initial measurements are highly promising, our Company plans to continue development work to further optimize the sealant material and barrier performance towards the chip-on-board goal.

On January 13, 2021, we announced the receipt of U.S. Patent number 10,886,694 that details an invention that allows electro-optic polymer modulators to be packaged in a hermetic environment using well-known, high-volume and low-cost fabrication processes that are available in a typical semiconductor fabrication foundry – improving suitability for mass production. Further, the design of this capsule package can improve both the reliability and the coupling interface between fiber optic cables and their laser sources for arrayed photonic integrated circuit solutions. The package can also interpose signals from an underlying circuit board to the polymer modulators, lasers, and other components for data transfer. The hermetic capsule is built from a semiconductor base that contains electrical and optical circuits and components. A hermetic capsule chamber is created by the design of a semiconductor lid that is sealed to the semiconductor base platform by a metallization process. Using standardized fabrication techniques we can now create a package that achieves the performance, reliability, cost, and volume requirements that has been a challenge for the photonics industry for years.

On May 11, 2021, we announced the receipt of U.S. Patent number 10,989,871 that details an invention that allows for improved protective polymer layers in modulators when designed into advanced integrated photonic platforms, better positioning them for high-volume manufacturing processes. The protective layers will enhance electro-optic

polymer devices' performance through higher reliability, better optical performance and enable the use of standardized manufacturing processes best suited for mass-production.

On June 7, 2021, we announced that our company's common stock was added to the Solactive EPIC Core Photonics EUR Index NTR as part of the index's semi-annual additions. The index includes global public companies with a common theme of optoelectronics, photonics, and optical technologies in general that range from components, modules, manufacturers, and optical network system companies. This inclusion broadens our exposure to the capital markets community, as well as credibility with potential partners and customers.

On June 16, 2021, we announced test results from new modulators fabricated in 2021, which exceeded bandwidth design targets and achieved triple the data rate as compared to competing devices in use today. The breakthrough new devices demonstrated 3dB electro-optical with electrical bandwidths that exceed 100GHz – with measurements coming close to our Company's state-of-the-art 110GHz test equipment capability. We expect this advancement to have a profound impact on the traffic flow on the internet.

On June 24, 2021, we announced the receipt of U.S. patent number 11,042,051 that details a breakthrough new device design that enables mass-volume manufacturing when designed into advanced integrated photonic platforms. The device design enhances reliability, improves optical mode control and most important, lowers by consumption through the use of direct-drive, low-voltage operation. The patent is entitled, "Direct drive region-less polymer modulator methods of fabricating and materials therefor" and is expected to open the opportunity for low power consumption electro-optic polymers to be developed into large foundry PDKs (process development kits) and be ready for mass volume commercialization. The patent emphasizes our technology platform using fabrication techniques that would naturally fit into foundry PDKs.

On August 4, 2021, we announced that we developed improved thermal design properties for electro-optic polymers used in our Polymer Plus™ and Polymer Slot™ modulators, enabling the speed, flexibility and stability needed for high-volume silicon foundry processes. We successfully created a 2x improvement in r33, while allowing higher stability during poling and post-poling. This provides better thermal performance and enables greater design flexibility in high-volume silicon foundry PDK (process development kit) processes.

On August 9, 2021, we announced the receipt of U.S. patent number 11,067,748 entitled "Guide Transition Device and Method" that covers a new invention that enables enhanced optical routing architectures for polymer-based integrated photonics that can be scaled with partner foundries. This new invention will enable innovative, highly scalable optical routing architectures for integrated photonic platforms. The patent provides novel optical waveguide transition designs using two planes of optical waveguides that are expected to be critical for optical signal routing and optical switching, opening the opportunity for high speed, energy efficient electro-optic polymers to be implemented into foundry PDKs (process development kits) to improve the performance of integrated photonic circuits. This breakthrough technology opens the door for advanced integrated photonics architectural design. We believe the simplicity of the design is ideal for production in foundries and will best position our Company to enable increased data traffic on the internet while using less power.

As we move forward to diligently meet our goals, we continue to work closely with our packaging partner for the 50Gbaud and 100 Gbaud prototypes, and we are advancing our reliability and characterization efforts to support our prototyping. We are actively engaged with test equipment manufacturers of the most advanced test equipment to test our state-of-the-art polymer devices. We continue to engage with multiple industry bodies to promote our roadmap. We continue to fine tune our business model with target markets, customers, and technical specifications. Discussions with prospective customers are validating that our modulators are ideally suited for the datacenter and telecommunications markets that are over 10km in length. Details of what these prospective customers are seeking from a prototype are delivered to our technical team.

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.

Results of Operations

Comparison of three months ended June 30, 2021 to three months ended June 30, 2020

Revenues

As a development stage company, we had no revenues during the three months ended June 30, 2021 and June 30, 2020. The Company is in various stages of photonic device and material development and evaluation. We expect the next revenue stream to be in product development agreements and prototype devices prior to moving into production.

Operating Expenses

	For the Three Months Ending June 30, 2021	For the Three Months Ending June 30, 2020	Change from Prior Three Month Period	Percent Change from Prior Three Month Period
Research and development	\$ 2,782,243	\$ 1,057,470	\$ 1,724,773	163%
General and administrative	674,000	574,803	99,197	17%
	<u>\$ 3,456,243</u>	<u>\$ 1,632,273</u>	<u>\$ 1,823,970</u>	<u>112%</u>

Research and development expenses increased for the three months ended June 30, 2021, as compared to the three months ended June 30, 2020, primarily due to the expense for cashless option exercises and increases in salary expenses, non-cash stock option and warrant amortization, laboratory and wafer fabrication materials and supplies, depreciation, prototype device development expenses and operations committee fees. The expense for cashless option exercises for the three months ended June 30, 2021 were approximately \$1.3 million. There was no expense for cashless option exercises for the three months ended June 30, 2020. Salary expenses increased by approximately \$211 thousand in the three months ended June 30, 2021, compared to the same period in 2020 primarily for bonus payments. Non-cash stock option and warrant amortization expenses increased by approximately \$105 thousand in the three months ended June 30, 2021, compared to the same period in 2020. Laboratory and wafer fabrication materials and supplies increased by approximately \$33 thousand in the three months ended June 30, 2021, compared to the same period in 2020. Depreciation expenses increased by approximately \$24 thousand in the three months ended June 30, 2021, compared to the same period in 2020. Prototype device development expenses increased by approximately \$16 thousand in the three months ended June 30, 2021, compared to the same period in 2020.

We expect to continue to incur substantial research and development expense developing and commercializing 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; hiring additional technical and support personnel; engaging senior technical advisors; pursuing other potential business opportunities and collaborations; customer testing and evaluation; and incurring related operating expenses.

General and administrative expenses increased for the three months ended June 30, 2021, as compared to the three months ended June 30, 2020, primarily due to increases in salary expenses and non-cash stock option amortization. Salary expenses increased by approximately \$98 thousand in the three months ended June 30, 2021, compared to the same period in 2020 primarily for bonus payments. Non-cash stock option amortization expenses increased by approximately \$12 thousand in the three months ended June 30, 2021, compared to the same period in 2020.

Other Income (Expense)

	For the Three Months Ending June 30, 2021	For the Three Months Ending June 30, 2020	Change from Prior Three Month Period	Percent Change from Prior Three Month Period
Other Income/(Expense)	\$ (1,083,242)	\$ (31,655)	\$ (1,051,587)	3322%

Other income (expenses) increased for the three months ended June 30, 2021, as compared to the three months ended June 30, 2020, primarily due to an increase in commitment fee in the amount of approximately \$1 million associated with the purchase of shares by an institutional investor for sale under a stock purchase agreement.

Net Loss

	For the Three Months Ending June 30, 2021	For the Three Months Ending June 30, 2020	Change from Prior Three Month Period	Percent Change from Prior Three Month Period
Net Loss	\$ 4,539,485	\$ 1,663,928	\$ 2,875,557	173%

Net loss was \$4,539,485 and \$1,663,928 for the three months ended June 30, 2021 and 2020, respectively, for an increase of \$2,875,557, due primarily to the expense for cashless option exercises and increases in commitment fee, salary expenses, non-cash stock option and warrant amortization, laboratory and wafer fabrication materials and supplies, depreciation, prototype device development expenses and operations committee fees.

Comparison of six months ended June 30, 2021 to six months ended June 30, 2020

Revenues

As a development stage company, we had no revenues during the six months ended June 30, 2021 and June 30, 2020. The Company is in various stages of photonic device and material development and evaluation. We expect the next revenue stream to be in product development agreements and prototype devices prior to moving into production.

Operating Expenses

	For the Six Months Ending June 30, 2021	For the Six Months Ending June 30, 2020	Change from Prior Six Month Period	Percent Change from Prior Six Month Period
Research and development	\$ 4,129,785	\$ 2,247,241	\$ 1,882,544	84%
General and administrative	1,222,229	1,181,228	41,001	3%
	<u>\$ 5,352,014</u>	<u>\$ 3,428,469</u>	<u>\$ 1,923,545</u>	<u>56%</u>

Research and development expenses increased for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020, primarily due to the expense for cashless option exercises and increases in salary expenses, non-cash stock option and warrant amortization, prototype device development expenses, operations committee fees, laboratory and wafer fabrication materials and supplies and depreciation. The expense for cashless option exercises for the six months ended June 30, 2021 was approximately \$1.3 million. There was no expense for cashless option exercises for the six months ended June 30, 2020. Salary expenses increased by approximately \$216 thousand in the six months ended June 30, 2021, compared to the same period in 2020 primarily for bonus payments. Non-cash stock option and warrant amortization expenses increased by approximately \$138 thousand in the six months ended June 30, 2021, compared to the same period in 2020. Prototype device development expenses increased by approximately \$113 thousand in the six months ended June 30, 2021, compared to the same period in 2020. Laboratory and wafer fabrication materials and supplies increased by approximately \$37 thousand in the six months ended June 30, 2021, compared to the same period in 2020. Depreciation expenses increased by approximately \$20 thousand in the six months ended June 30, 2021, compared to the same period in 2020.

We expect to continue to incur substantial research and development expense developing and commercializing 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; hiring additional technical and support personnel; engaging senior technical advisors; pursuing other potential business opportunities and collaborations; customer testing and evaluation; and incurring related operating expenses.

General and administrative expenses increased for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020, primarily due to increases in salary expenses, director and officer insurance and other tax expenses offset by decreases in auditing fees and legal fees. Salary expenses increased by approximately \$97 thousand in the six months ended June 30, 2021, compared to the same period in 2020 primarily for bonus payments. Director and officer insurance increased by approximately \$20 thousand in the six months ended June 30, 2021, compared to the same period in 2020. Other tax expenses increased by approximately \$14 thousand in the six months ended June 30, 2021, compared to the same period in 2020. Auditing fees decreased by approximately \$22 thousand in the six months ended June 30, 2021, compared to the same period in 2020. The additional auditing expenses incurred during the prior period related to the audit of internal controls for the year ended December 31, 2019 required for accelerated filers. The Company was not an accelerated filer for the year ended December 31, 2020. Legal fees decreased by approximately \$15 thousand in the six months ended June 30, 2021, compared to the same period in 2020.

Other Income (Expense)

	For the Six Months Ending June 30, 2021	For the Six Months Ending June 30, 2020	Change from Prior Six Month Period	Percent Change from Prior Six Month Period
Other Income/(Expense)	\$ (922,515)	\$ (62,633)	\$(859,882)	1373%

Other income (expenses) increased for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020, primarily due to an increase in commitment fee in the amount of approximately \$1.27 million associated with the purchase of shares by an institutional investor for sale under a stock purchase agreement offset by the Paycheck Protection Program loan forgiveness January 22, 2021 in the amount of \$410.7 thousand.

Net Loss

	For the Six Months Ending June 30, 2021	For the Six Months Ending June 30, 2020	Change from Prior Six Month Period	Percent Change from Prior Six Month Period
Net Loss	\$ 6,274,529	\$ 3,491,102	\$2,783,427	80%

Net loss was \$6,274,529 and \$3,491,102 for the six months ended June 30, 2021 and 2020, respectively, for an increase of \$2,783,427, due primarily to the expense for cashless option exercises and increases in commitment fee, salary expenses, non-cash stock option and warrant amortization, prototype device development expenses, operations committee fees, laboratory and wafer fabrication materials and supplies, depreciation, director and officer insurance and other tax expenses offset by decreases in auditing fees and legal fees.

Significant Accounting Policies

We believe our significant accounting policies affect our more significant estimates and judgments used in the preparation of our financial statements. Our Annual Report on Form 10-K for the year ended December 31, 2020 contains a discussion of these significant accounting policies.

Liquidity and Capital Resources

Our primary source of operating cash inflows was proceeds from the sale of common stock to an institutional investor pursuant to a purchase agreement with the institutional investor as described in Sources and Uses of Cash below (Lincoln Park financing) and in Note 10 to the Financial Statements. All of the registered shares under the purchase agreement with the institutional investor have been issued as of June 30, 2021. We also received cash proceeds pursuant to the exercise of options and warrants for cash. On July 2, 2021, our Company filed a \$100,000,000 universal shelf registration statement which became effective on July 9, 2021.

For the six months ended June 30, 2021

During the six months ended June 30, 2021, the Company received approximately \$13.97 million pursuant to the purchase agreement with the institutional investor. Also, during this period we received proceeds of \$746,750 pursuant to the exercise of options and warrants. Our primary sources of cash outflows from operations included payroll, payroll taxes related to cashless option exercise, rent, utilities, payments to vendors and third-party service providers. On June 30, 2021, our cash and cash equivalents totaled \$13,913,519, our assets totaled \$17,994,174, our liabilities totaled \$1,037,301 and we had stockholders' equity of \$16,956,873.

For the six months ended June 30, 2020

During the six months ended June 30, 2020, net cash used in operating activities was \$2,344,201 and net cash used in investing activities was \$38,978, which was due primarily to the Company's research and development activities and general and administrative expenditures. Net cash provided by financing activities for the six months ended June 30, 2020 was \$2,369,148. At June 30, 2020, our cash and cash equivalents totaled \$2,222,313, our assets totaled \$6,560,570, our liabilities totaled \$1,913,439, and we had stockholders' equity of \$4,647,131.

Sources and Uses of Cash

Our future expenditures and capital requirements will depend on numerous factors, including: the impact of the COVID-19 pandemic; 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. 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. We currently have no debt to service.

We expect that we will incur approximately \$816,000 of expenditures per month over the next 12 months. Our current cash position enables us to finance our operations through November 2022. On July 2, 2021, the Company filed a \$100,000,000 universal shelf registration with the U.S. Securities and Exchange Commission which became effective on July 9, 2021. Market volatility resulting from the COVID-19 pandemic or other factors could adversely impact our ability to access capital as and when needed. If adequate funds are not available to us on a timely basis, we may be required to delay or limit our operations, including research and development efforts relating to the commercializing our electro-optic polymer technology.

On January 21, 2019, our Company entered into a purchase agreement with Lincoln Park, pursuant to which Lincoln Park agreed to purchase from us up to \$25,000,000 of our Common Stock (subject to certain limitations) from time to time over a 36-month period. All of the registered shares under the purchase agreement have been issued as of June 30, 2021.

On April 24, 2020, the Company received \$410,700 in loan funding from the Paycheck Protection Program, established pursuant to the Coronavirus Aid, Relief, and Economic Security Act enacted on March 27, 2020 and administered by the U.S. Small Business Administration. The unsecured loan is evidenced by a promissory note of the Company dated April 23, 2020 in the principal amount of \$410,700, to Community Banks of Colorado, a division of NBH Bank, the lender. The loan proceeds have been used to cover payroll costs, rent and utility costs. The loan was eligible for forgiveness as part of the CARES Act if certain requirements were met. The loan was forgiven by the Small

During the six months ended June 30, 2021, the Company received proceeds of \$746,750 pursuant to the exercise of options and warrants.

We expect that our cash used in operations will continue to increase through 2021 and beyond as a result of the following planned activities:

- The addition of management, sales, marketing, technical and other staff to our workforce;
- Increased spending for the expansion of our research and development efforts, including purchases of additional laboratory and production equipment;
- Increased spending in marketing as our products are introduced into the marketplace;
- Developing and maintaining collaborative relationships with strategic partners;
- Developing and improving our manufacturing processes and quality controls; and
- Increases in our general and administrative activities related to our operations as a reporting public company and related corporate compliance requirements.

Analysis of Cash Flows

For the six months ended June 30, 2021

Net cash used in operating activities was \$2,991,879 for the six months ended June 30, 2021, primarily attributable to the net loss of \$6,274,529 adjusted by \$10,242 in warrants issued for services, \$528,249 in options issued for services, \$1,333,628 in common stock issued for services, \$417,414 in depreciation expenses and patent amortization expenses, (\$410,700) in Paycheck Protection Program loan forgiveness \$134,668 in prepaid expenses, (\$48,074) in accounts payable and accrued expenses and \$1,317,223 in cashless option exercise expense. 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 \$654,699 for the six months ended June 30, 2021, consisting of \$18,221 in cost for intangibles and \$636,478 in asset additions primarily for the Colorado headquarter facility and labs.

Net cash provided by financing activities was \$14,253,507 for the six months ended June 30, 2021 and consisted of \$746,750 in proceeds from exercise of options and warrants, \$13,973,249 in proceeds from resale of common stock to an institutional investor offset by \$453,385 in cashless option exercise tax payments and \$13,107 repayment of equipment purchased.

For the six months ended June 30, 2020

Net cash used in operating activities was \$2,344,201 for the six months ended June 30, 2020, primarily attributable to the net loss of \$3,491,102 adjusted by \$50,677 in warrants issued for services, \$354,958 in options issued for services, \$62,958 in common stock issued for services, \$396,101 in depreciation expenses and patent amortization expenses, (\$183,862) in prepaid expenses, \$55,369 in accounts payable and accrued expenses and \$410,700 in proceeds from Paycheck Protection Plan refundable advance. 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 \$38,978 for the six months ended June 30, 2020, consisting of \$29,101 in cost for intangibles and \$9,877 in asset additions primarily for the new Colorado headquarter facility and labs.

Net cash provided by financing activities was \$2,369,148 for the six months ended June 30, 2020 and consisted of \$2,761,926 in proceeds from resale of common stock to an institutional investor offset by \$392,778 repayment of equipment purchased.

Contractual Obligations

There have been no material changes outside the ordinary course of business in our contractual commitments during the three months ended June 30, 2021.

Off-Balance Sheet Arrangements

As of June 30, 2021, we do not have an interest in any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Item 4 Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2021. Based on this evaluation, the Company's Principal Executive Officer and Principal Financial Officer concluded that, as of June 30, 2021 the Company's disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 2 Recent Sales of Unregistered Securities

During the period covered by this report, our Company has sold the following securities without registering the securities under the Securities Act:

Date	Security
June 2021	Common Stock — 150,000 shares of Common Stock at \$.63 per share pursuant to a warrant exercise.
June 2021	Common Stock — 25,000 shares of Common Stock at \$.64 per share pursuant to a warrant exercise.
June 2021	Common Stock — 25,000 shares of Common Stock at \$.67 per share pursuant to a warrant exercise.

No underwriters were utilized, and no commissions or fees were paid with respect to any of the above transactions. These persons were the only offerees in connection with these transactions. We relied on Section 4(a)(2) and Rule 506 of Regulation D of the Securities Act since the transaction does not involve any public offering.

Item 6 Exhibits

The following exhibits are included herein:

Exhibit No.	Description of Exhibit	Location
10.1	Employee Agreement – Michael Lebby	Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on March 22, 2017
10.2	Employee Agreement Amendment 1 - Michael Lebby	Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 10, 2019
10.3	Employee Agreement Amendment 2 – Michael Lebby	Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 20, 2021
10.4	Employee Agreement - James Marcelli	Incorporated by reference to Company's Form 10-Q as filed with the SEC on August 12, 2015
10.5	Employee Agreement Amendment 1 - James Marcelli	Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on March 22, 2017
10.6	Employee Agreement Amendment 2 - James Marcelli	Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 10, 2019
10.7	Employee Agreement Amendment 3 - James Marcelli	Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 20, 2021
31.1	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, executed by the Principal Executive Officer of the Company.	Filed herewith
31.2	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, executed by the Principal Financial Officer of the Company.	Filed herewith
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Principal Executive Officer of the Company.	Filed herewith
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Principal Financial Officer of the Company.	Filed herewith
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	
101.SCH	Inline XBRL Taxonomy Extension Schema Document	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

SIGNATURES

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

LIGHTWAVE LOGIC, INC.

Registrant

By: /s/ Michael S. Lebby
Michael S. Lebby,
Chief Executive Officer
(Principal Executive Officer)

Date: August 16, 2021

By: /s/ James S. Marcelli
James S. Marcelli,
President, Chief Operating Officer
(Principal Financial Officer)

Date: August 16, 2021

CERTIFICATION

I, Michael S. Lebby, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lightwave Logic, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2021

/s/ Michael S. Lebby

Michael S. Lebby,
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, James S. Marcelli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lightwave Logic, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2021

/s/ James S. Marcelli

James S. Marcelli,
President, Chief Operating Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Lightwave Logic, Inc. (the "Company") for the period ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael S. Lebby, Chief Executive Officer of our Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of our Company.

Date: August 16, 2021

/s/ Michael S. Lebby

Michael S. Lebby,
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Quarterly Report on Form 10-Q of Lightwave Logic, Inc. (the "Company") for the period ending June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James S. Marcelli, Chief Operating Officer of our Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of our Company.

Date: August 16, 2021

/s/ James S. Marcelli

James S. Marcelli,
President, Chief Operating Officer
(Principal Financial Officer)