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CIRTRAN CORP
Form 10-Q
August 19, 2009

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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, 2009

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 000-49654

CIRTRAN CORPORATION
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

68-0121636

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

4125 South 6000 West, West Valley City, Utah

84128

(Address of principal executive offices)

(Zip Code)

(801) 963-5112

(Registrant's telephone number, including area code)

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

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

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

(Check one):

Large accelerated filer

Accelerated filer

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Non-accelerated filer []

Smaller reporting company [X]

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

The number of shares of the registrant's common stock outstanding at August 7, 2009 was 1,498,972,923 shares.

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CIRTRAN CORPORATION FORM 10-Q

For the Quarterly Period Ended June 30, 2009

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CIRTRAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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	June 30, 2009	December 31, 2008
<hr/>		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 30,301	\$ 8,701
Trade accounts receivable, net of allowance for doubtful accounts of \$108,162 and \$108,162, respectively	822,478	591,441
Receivable due from related party	5,905,362	4,718,843
Inventory, net of reserve of \$1,028,958 and \$1,028,957, respectively	1,420,595	1,451,275
Prepaid deposits	221,856	164,556
Other	343,516	305,037
<hr/>		
Total current assets	8,744,108	7,239,853
Investment in securities, at cost	752,000	752,000
Investment in related party	750,000	750,000
Deferred offering costs, net	3,188	15,662
Long-term receivable	1,647,895	1,647,895
Property and equipment, net	662,730	773,591
Intellectual property, net	1,648,926	1,871,153
Other assets, net	19,025	19,025
<hr/>		
Total assets	\$ 14,227,872	\$ 13,069,179
<hr/>		
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Checks written in excess of bank balance	\$ 198,322	\$ 133,391
Accounts payable	2,447,557	2,215,171
Short term advances payable	1,923,918	747,329
Accrued liabilities	3,170,852	2,207,580
Deferred revenue	825,401	587,052
Derivative liability	218,488	705,477
Convertible debenture	3,161,355	3,162,650
Current portion of refundable customer deposits	927,500	-
Current maturities of long-term debt	1,305,514	1,494,969
Note payable to stockholders	217,239	230,447
<hr/>		
Total current liabilities	14,396,146	11,484,066
<hr/>		
Refundable customer deposits	1,072,500	1,688,080
Long-term debt, less current maturities	312,534	269,625
<hr/>		
Total liabilities	15,781,180	13,441,771
<hr/>		
Stockholders' deficit		
CirTran Corporation stockholders' deficit:		
Common stock, par value \$0.001; authorized 1,500,000,000 shares; issued and outstanding shares: 1,498,972,923 and 1,426,262,586, respectively	1,498,968	1,426,257
Additional paid-in capital	29,100,617	28,970,335

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Subscription receivable	(17,000)	(17,000)
Accumulated deficit	(34,709,124)	(33,325,415)

Total CirTran Corporation stockholders' deficit	(4,126,539)	(2,945,823)

Noncontrolling interest	2,573,231	2,573,231

Total stockholders' deficit	(1,553,308)	(372,592)

Total liabilities and stockholders' deficit	\$ 14,227,872	\$ 13,069,179

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

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CIRTRAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended		Six months ended
	June 30,		June 30,
	2009	2008	2009
	-----	-----	-----
Net sales	\$ 3,099,206	\$ 4,240,121	\$ 5,021,588
Cost of sales	2,826,668	3,465,460	4,230,125
Royalties expense	82,442	104,640	229,631

Gross profit	190,096	670,021	561,832
Operating expenses			
Selling, general and administrative expenses	1,032,081	1,660,077	2,182,063
Non-cash compensation expense	996	996	1,992

Total operating expenses	1,033,077	1,661,073	2,184,055

Loss from operations	(842,981)	(991,052)	(1,622,223)

Other income (expense)			
Interest expense	(241,242)	(565,369)	(567,808)
Interest income	118,325	57,784	242,915
Gain on sale/leaseback	20,268	20,268	40,536
Gain on settlement of litigation	117,714	-	117,714
Gain on derivative valuation	1,693,764	822,975	405,157

Total other income (expense), net	1,708,829	335,658	238,514

Net income (loss)	\$ 865,848	\$ (655,394)	\$ (1,383,709)

Basic and diluted loss per common share	\$ -	\$ -	\$ -

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Basic and diluted weighted-average common shares outstanding	1,497,884,126	1,164,019,688	1,482,049,557
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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CIRTRAN CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Six Months Ended June 30,	2009	2008
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Cash flows from operating activities		
Net loss	\$ (1,383,709)	\$ (723,013)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	333,089	322,217
Accretion expense	280,170	662,668
Provision for doubtful accounts	-	22,379
Provision for obsolete inventory	-	9,135
Gain on sale - leaseback	40,536	(41,043)
Non-cash compensation expense	1,992	92,343
Loan costs and interest withheld from loan proceeds	12,474	48,445
Options issued to attorneys for services	1,546	147,028
Change in valuation of derivative	(405,157)	(1,705,162)
Borrowing fee	103,418	-
Changes in assets and liabilities:		
Trade accounts receivable	(244,904)	(2,792,242)
Related party receivable	(2,186,519)	-
Inventories	30,680	(378,353)
Prepaid expenses and other current assets	(81,913)	(83,727)
Accounts payable	232,386	1,017,602
Accrued liabilities	922,736	360,570
Deferred revenue	238,349	331,187
Customer deposits	311,920	-
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Net cash used in operating activities	(1,792,906)	(2,709,966)
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Cash flows from investing activities		
Intangibles purchased with cash	-	(54,946)
Purchase of property and equipment	-	(9,333)
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Net cash used in investing activities	-	(64,279)
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Cash flows from financing activities		
Proceeds from notes payable to related party	4,611	1,100,000
Payments on notes payable to related party	(13,208)	(57,997)
Proceeds from stock issued in private placement	-	441,000
Principal payments on long-term debt	-	(75,000)
Checks written in excess of long-term debt	64,931	-
Proceeds from short-term advances	1,884,272	2,060,117
Payments on short-term advances	(126,100)	(750,724)

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Net cash provided by financing activities	1,814,506	2,717,396
Net increase (decrease) in cash and cash equivalents	21,600	(56,849)
Cash and cash equivalents at beginning of period	8,701	82,761
Cash and cash equivalents at end of period	\$ 30,301	\$ 25,912

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

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CIRTRAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) - CONTINUED

For the Six Months Ended June 30,	2009	2008
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ -	\$ 83,878
Noncash investing and financing activities:		
Stock issued in payment of notes payable and accrued interest	\$ 117,622	\$ 350,000
Warrants issued with derivative liability features	-	700,000
Exchange AfterBev membership interest for distribution payable	-	863,973
Related party liability settled through reduction of related party receivable	1,000,000	-
Debt settled through issuance of short term advances	315,000	-

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

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CIRTRAN CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - CirTran Corporation and its subsidiaries (collectively, the "Company" or "CirTran") consolidates all of its majority-owned subsidiaries and companies over which the Company exercises control through majority voting

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rights. The Company accounts for its investments in common stock of other companies that the Company does not control but over which the Company can exert significant influence using the cost method.

Condensed Financial Statements - The accompanying unaudited condensed consolidated financial statements include the accounts of CirTran Corporation and its subsidiaries. These financial statements have been prepared in accordance with Article 10 of Regulation S-X promulgated by the Securities and Exchange Commission ("SEC" or "Commission"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These statements should be read in conjunction with the Company's annual financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. In particular, the Company's significant accounting policies were presented as Note 1 to the consolidated financial statements in that Annual Report. In the opinion of management, all adjustments necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements and consist of only normal recurring adjustments. The results of operations presented in the accompanying condensed consolidated financial statements for the three and six months ended June 30, 2009, are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2009.

Principles of Consolidation - The consolidated financial statements include the accounts of CirTran Corporation, and its wholly owned subsidiaries Racore Technology Corporation, CirTran - Asia, Inc., CirTran Products Corp., CirTran Media Corp., CirTran Online Corp., and CirTran Beverage Corp.

The consolidated financial statements also include the accounts of After Beverage Group LLC, a majority-owned subsidiary. At June 30, 2009, the Company had a four percent share of AfterBev's profits and losses, but maintained a 52 percent voting control interest. AfterBev has a 51 percent share of the eventual cash distributions of Play Beverages, LLC ("PlayBev"), and the president and one of the directors of the Company own membership interests in PlayBev totaling 28.35 percent. As of September 30, 2008, the members of PlayBev had amended PlayBev's operating agreement to require a 95 percent membership vote on major managerial and organizational decisions. None of the other members of PlayBev are affiliated with the Company. Accordingly, while the Company president and one of its directors own membership interests and currently hold the executive management positions in PlayBev, the Company or its affiliates nevertheless cannot exercise unilateral control over significant decisions, and the Company has accounted for its investment in PlayBev under the cost method of accounting.

Impairment of Long-Lived Assets - The Company reviews its long-lived assets, including intangibles, for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. At each balance sheet date, the Company evaluates whether events and circumstances have occurred that indicate possible impairment. The Company uses an estimate of future undiscounted net cash flows from the related asset or group of assets over their remaining life in measuring whether the assets are recoverable. As of June 30, 2009, the Company did not consider any of its long-lived assets to be impaired.

Long-lived asset costs are amortized over the estimated useful life of the asset, which is typically five to seven years. Amortization expense was \$111,113 and \$105,540 for the three months ended June 30, 2009 and 2008, respectively, and was \$222,227 and \$211,297 for the six months ended June 30, 2009 and 2008, respectively.

Financial Instruments with Derivative Features - The Company does not hold or issue derivative instruments for trading purposes. However, the Company has

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financial instruments that are considered derivatives, or contain embedded features subject to derivative accounting. Embedded derivatives are valued separate from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value, and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has estimated the fair value of these embedded derivatives using the Black-Scholes model. The fair value of the derivative instruments are remeasured each quarter.

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Income / Loss Per Share - Basic loss per share is calculated by dividing net income / loss available to common shareholders by the weighted-average number of common shares outstanding during each period. Diluted loss per share is similarly calculated, except that the weighted-average number of common shares outstanding would include common shares that may be issued subject to existing rights with dilutive potential when applicable. The Company had 1,028,495,468 and 935,587,200 in potentially issuable common shares at June 30, 2009 and 2008, respectively. These potentially issuable common shares were excluded from the calculation of diluted loss per share because the effects were anti-dilutive.

Use of Estimates - In preparing the Company's financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the financial statements to conform to the current year presentation.

Recent Accounting Pronouncements -In February 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position (FSP FIN) No. 157-2, which extended the effective date for certain nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company adopted SFAS No. 157 on January 1, 2009. It did not have a material effect on the financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 141(R), Business Combinations, and SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements. SFAS No. 141(R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 160 clarifies that a non-controlling interest in a subsidiary should be reported as equity in the consolidated financial statements, consolidated net income shall be adjusted to include the net income attributed to the non-controlling interest, and consolidated comprehensive income shall be adjusted to include the comprehensive income attributed to the non-controlling interest. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141(R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. On January 1, 2009 the Company adopted SFAS No. 141 and 160. As a result, the non-controlling interest in AfterBev has been included as equity in the consolidated financial statements.

In December 2007, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 07-1, Accounting for Collaborative Arrangements ("EITF 07-1"). EITF 07-1 defines collaborative arrangements and establishes reporting requirements for

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transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. EITF 07-1 also establishes the appropriate income statement presentation and classification for joint operating activities and payments between participants, as well as the sufficiency of the disclosures related to these arrangements. EITF 07-1 is effective for fiscal years beginning after December 15, 2008. The Company adopted EITF 07-1 on January 1, 2009. It did not have a material effect on the financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. The Company adopted SFAS No. 161 on January 1, 2009. It did not have a material effect on the financial statements.

In April 2008, the FASB issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets ("FSB FAS 142-3"). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under FAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other generally accepted accounting principles. The Company adopted FAS 142-3 on January 1, 2009. It did not have a material effect on the financial statements.

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In May 2008, the FASB issued FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). FSB APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants, and specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company adopted APB 14-1 on January 1, 2009. It did not have a material effect on the financial statements.

In June 2008, the FASB ratified EITF Issue No. 07-5, Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock ("EITF 07-5"). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The Company adopted EITF 07-5 on January 1, 2009. It did not have a material effect on the financial statements.

In May 2009, the Financial Accounting Standards Board ("FASB") issued SFAS No. 165, "Subsequent Events" ("SFAS 165"). This standard establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued and shall be applied to subsequent events not addressed in other applicable accounting principles generally accepted in the United States of America. SFAS 165, among other things, sets forth the period after the balance

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sheet date during which management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for this fiscal quarter ending June 30, 2009. The Company's adoption of SFAS 165 did not have a material impact on the interim or annual consolidated financial statements or the disclosures in those financial statements.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles," (SFAS 168). SFAS 168 establishes the FASB Accounting Standards Codification (the Codification) as the single source of authoritative, nongovernmental U.S. GAAP. The Codification does not change U.S. GAAP. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. Accordingly, the Company will adopt the provision of SFAS 168 in the third quarter 2009. The Company does not expect the adoption of the provisions of SFAS 168 to have any effect on the Company's financial condition and results of operations.

NOTE 2 - REALIZATION OF ASSETS

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company sustained losses of \$1,383,709 and \$723,013 for the six months ended June 30, 2009 and 2008, respectively. As of June 30, 2009, the Company had an accumulated deficit of \$34,709,124. In addition, the Company used cash in its operations in the amount of \$1,792,906 and \$2,709,966 during the six months ended June 30, 2009 and 2008, respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying condensed consolidated balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuing basis, to maintain or replace present financing, to acquire additional capital from investors, and to succeed in its future operations. The Company has several new programs in development. These programs represent a new direction for the Company into the beverage industry, and support ongoing efforts in the consumer products contract manufacturing and media marketing industries. These new programs have the potential to carry higher profit margins than electronic manufacturing, and as a result, the Company is investing substantial resources into developing these activities. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

NOTE 3 - INVENTORY

Inventory consisted of the following:

	June 30, 2009	December 31, 2008
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Raw materials	\$ 1,546,736	\$ 1,625,322
Work in process	191,999	221,079
Finished goods	710,818	633,831
Allowance / reserve	(1,028,958)	(1,028,957)
Totals	\$ 1,420,595	\$ 1,451,275

NOTE 4 - INTELLECTUAL PROPERTY

Intellectual property and estimated service lives consisted of the following:

	June 30, 2009	December 31, 2008	Estimated Service Lives in Years
Infomercial development costs	\$ 217,786	\$ 217,786	7
Patents	38,056	38,056	7
ABS Infomercial	1,186,382	1,186,382	5
Trademark	1,227,673	1,227,673	7
Copyright	115,193	115,193	7
Website Development Costs	150,000	150,000	5
Total intellectual property	\$ 2,935,090	\$ 2,935,090	
Less accumulated amortization	(1,286,164)	(1,063,937)	
Intellectual property, net	\$ 1,648,926	\$ 1,871,153	

The estimated amortization expenses for the next five years are as follows:

Year Ending December 31,	
2009	\$ 229,832
2010	465,583
2011	388,052
2012	285,884
2013	173,332
Thereafter	106,243
Total	\$ 1,648,926

NOTE 5 - RELATED PARTY TRANSACTIONS

Play Beverages, LLC

During 2006, Playboy Enterprises International, Inc. ("Playboy"), entered into a licensing agreement with Play Beverages, LLC ("PlayBev"), then an unrelated Delaware limited liability company, whereby PlayBev agreed to internationally market and distribute a new energy drink carrying the Playboy name and "Rabbit Head" logo symbol. In May 2007, PlayBev entered into an exclusive agreement with the Company to arrange for the manufacture, marketing and distribution of the energy drinks, other Playboy-licensed beverages, and related merchandise through various distribution channels throughout the world.

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In an effort to finance the initial development and marketing of the new drink, the Company with other investors formed After Bev Group LLC ("AfterBev"), a California limited liability company and partially owned, consolidated subsidiary of the Company. The Company contributed its expertise in exchange for an initial 84 percent membership interest in AfterBev. The other initial AfterBev members contributed \$500,000 in exchange for the remaining 16 percent. The Company borrowed an additional \$250,000 from an individual, and contributed the total \$750,000 to PlayBev in exchange for a 51 percent interest in PlayBev's cash distributions. The Company recorded this \$750,000 amount as an investment in PlayBev, accounted for under the cost method. PlayBev then remitted these funds to Playboy as part of a guaranteed royalty prepayment. Along with the membership interest granted the Company, PlayBev agreed to appoint the Company's president and one of the Company's directors to two of PlayBev's three executive management positions. Additionally, an unrelated executive manager of PlayBev resigned, leaving the remaining two executive management positions occupied by the Company president and one of the Company's directors. On August 23, 2008, PlayBev's members agreed to amend its operating agreement to change the required membership vote on major managerial and organizational decisions from 75 percent to 95 percent. Since 2007 the two affiliates personally purchased membership interests from PlayBev directly and from other Playbev members constituting an additional 23.1 percent, which aggregated 34.35 percent. Despite the combined 90.5 percent interest owned by these affiliates and the Company, the Company cannot unilaterally control significant operating decisions of PlayBev, as the amended operating agreement requires that various major operating and organizational decisions be agreed to by at least 95 percent of all members. The other members of PlayBev are not affiliated with the Company. Accordingly, while PlayBev is now a related party, the Company cannot unilaterally control significant operating decisions of PlayBev, and therefore has not accounted for PlayBev's operations as if it was a consolidated subsidiary.

PlayBev has no operations, so under the terms of the exclusive manufacturing and distribution agreement, the Company was appointed the master manufacturer and distributor of the beverages and other products that PlayBev licensed from Playboy. In so doing, the Company assumed all the risk of collecting amounts owed from customers, and contracting with vendors for manufacturing and marketing activities. In addition, PlayBev is owed a royalty from the Company equal to the Company's gross profits from collected beverage sales, less 20 percent of the Company's related cost of goods sold, and 6 percent of the Company's collected gross sales. The Company incurred \$82,442 and \$104,640 in royalty expenses due to PlayBev during the three months ended June 30, 2009 and 2008, respectively, and \$229,631 and \$110,990 during the six months ended June 30, 2009 and 2008, respectively.

The Company also agreed to provide services to PlayBev for initial development, marketing, and promotion of the new beverage. These services are to be billed to PlayBev and recorded as an account receivable from PlayBev. The Company initially agreed to carry up to a maximum of \$1,000,000 as a receivable due from PlayBev in connection with these billed services. On March 19, 2008 the Company agreed to increase the maximum amount it would carry as a receivable due from PlayBev, in connection with these billed services, from \$1,000,000 to \$3,000,000. As of March 19, 2008 the Company also began charging interest on the outstanding amounts owing at a rate of 7 percent per annum. PlayBev has agreed to repay the receivable and accrued interest out of the royalties due PlayBev. The Company has billed PlayBev for marketing and development services totaling \$1,801,813 and \$1,826,651 for the three months ending June 30, 2009 and 2008, respectively, and \$2,172,946 and \$2,529,545 for the six months ended June 30, 2009 and 2008, respectively, which have been included in revenues for the Company's marketing and media segment. As of June 30, 2009, the interest accrued on the balance owing from PlayBev totaled \$460,346. The net amount due the Company from PlayBev for marketing and development services, after netting the royalty owed to PlayBev, totaled \$5,905,362 at June 30, 2009.

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After Bev Group, LLC

Following AfterBev's organization in May 2007, the Company entered into consulting agreements with two individuals, one of whom had loaned the Company \$250,000 when the Company invested in PlayBev, and the other one who was a Company director. The agreements provided that the Company assign to each individual approximately one-third of the Company's share in future AfterBev cash distributions, in exchange for their assistance in the initial AfterBev organization and planning, along with their continued assistance in subsequent beverage development and distribution activities. The agreements also provided that as the Company sold a portion of its membership interest in AfterBev, the individuals would each be owed their proportional assigned share distributions in the proceeds of such a sale. The actual payment of the distributions depended on how the Company used the sale proceeds. If the Company used the proceeds to help finance beverage development and marketing activities, the payment of distributions would be deferred, pending collections from customers once beverage product sales eventually commenced. Otherwise, the proportional assigned share distributions would be due to the two individuals.

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Throughout the balance of 2007, as energy drink development and marketing activities progressed, the Company raised additional funds by selling portions of its membership interest in AfterBev to other investors, some of whom were Company stockholders. In some cases, the Company sold a portion of its membership interest, including voting rights. In other cases, the Company sold merely a portion of its share of future AfterBev profits and losses. By the end of 2007, after taking into account the two interests it had assigned, the Company had retained a net 14 percent interest in AfterBev's profits and losses, but had retained 52 percent of all voting rights in AfterBev. The Company recorded the receipt of these net funds as increases to its existing minority interest in AfterBev, and the remainder as amounts owing as distributable proceeds payable to the two individuals with assigned interests of the Company's original share of AfterBev.

At the end of 2007, the Company agreed to convert the amount owing to one of the individuals into a promissory note. In exchange, the individual agreed to relinquish his approximately one-third portion of the Company's remaining share of AfterBev's profits and losses. Instead, the individual received a membership interest in AfterBev. In January 2008, the other assignee, who is one of the Company's directors, similarly agreed to relinquish the distributable proceeds owed to him, in exchange for an interest in AfterBev's profits and losses. Accordingly, he purchased a 24 percent interest in AfterBev's profits and losses in exchange for foregoing \$863,973 in amounts due to him. Of this 24 percent, through the end of December 31, 2008, the director had sold or transferred 23 percent to unrelated investors and retained the remaining 1 percent interest in AfterBev's profits and losses. In turn, the director loaned \$834,393 to the Company in the form of unsecured advances. Of the amounts loaned, \$600,000 was used to purchase interest in PlayBev directly which resulted in a reduction of \$600,000 of amounts owed by PlayBev to the Company. During the three months ended June 30, 2009, the director advanced an additional \$500,000 to the Company for his purchase of an additional 3 percent interest in PlayBev which resulted in a reduction of \$500,000 of amounts owed by PlayBev to the Company. As of June 30, 2009, the Company still owed the director \$534,619 in the form of unsecured advances.

Global Marketing Alliance

The Company entered into an agreement with Global Marketing Alliance ("GMA"), and hired GMA's owner as the Vice President of CirTran Online Corp. ("CTO"), one

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of the Company's subsidiaries. Under the terms of the agreement, the Company outsources to GMA the online marketing and sales activities associated with the Company's CTO products. In return, the Company provides bookkeeping and management consulting services to GMA, and pays GMA a fee equal to five percent of CTO's online net sales. In addition, GMA assigned to the Company all of its web-hosting and training contracts effective as of January 1, 2007, along with the revenue earned thereon, and the Company also assumed the related contractual performance obligations. The Company recognizes the revenue collected under the GMA contracts, and remits back to GMA a management fee approximating their actual costs.

Transactions involving Officers, Directors, and Stockholders

Don L. Buehner was appointed to the Company's Board of Directors during 2007. Prior to his appointment as a director, Mr. Buehner bought the Company's building in a sale/leaseback transaction. The term of the lease is for 10 years, with an option to extend the lease for up to three additional five-year terms. The Company pays Mr. Buehner a monthly lease payment of \$17,083, which is subject to annual adjustments in relation to the Consumer Price Index. Mr. Buehner retired from the Company's Board of Directors following the Company's Annual Meeting of Shareholders on June 18, 2008.

In 2007, the Company appointed Fadi Nora to its Board of Directors. In addition to compensation the Company normally pays to non-employee members of the Board, Mr. Nora is entitled to a quarterly bonus equal to 0.5 percent of any gross sales earned by the Company directly through Mr. Nora's efforts. As of June 30, 2009, the Company owed \$8,503 under this arrangement. Mr. Nora also is entitled to a bonus equal to five percent of the amount of any investment proceeds received by the Company that are directly generated and arranged by him if the following conditions are satisfied: (i) his sole involvement in the process of obtaining the investment proceeds is the introduction of the Company to the potential investor, but that he does not participate in the recommendation, structuring, negotiation, documentation, or selling of the investment, (ii) neither the Company nor the investor are otherwise obligated to pay any commissions, finders fees, or similar compensation to any agent, broker, dealer, underwriter, or finder in connection with the investment, and (iii) the Board in its sole discretion determines that the investment qualifies for this bonus, and that the bonus may be paid with respect to the investment. During 2008, Mr. Nora has received no compensation under this arrangement, and at December 31, 2008, the Company owed him \$49,850 stemming from investment proceeds received under various financing arrangements during 2008.

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In 2007, the Company also entered into a consulting agreement with Mr. Nora, whereby the Company assigned to him approximately one-third of the Company's share in future AfterBev cash distributions. In return, Mr. Nora assisted in the initial AfterBev organization and planning, and continued to assist in subsequent beverage development and distribution activities. The agreement also provided that as the Company sold a portion of its membership interest in AfterBev, Mr. Nora would be owed his proportional assigned share distribution in the proceeds of such a sale. Distributable proceeds due to Mr. Nora at the end of 2007 were \$747,290. In January 2008, he agreed to relinquish this amount, plus an additional \$116,683, in exchange for a 24 percent interest in AfterBev's profits and losses. Including the \$1,675,000 obtained from his sales of AfterBev membership interests, and after offsetting advance amounts subsequently repaid to him by the Company, Mr. Nora had loaned the Company a net \$1,136,404 in the form of unsecured advances during the year ended December 31, 2008. As of June 30, 2009, the Company owed Mr. Nora \$534,619.

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Prior to his appointment with the Company, Mr. Nora was also involved in the ANAHOP private placement of the Company's common stock. On April 11, 2008, Mr. Nora disassociated himself from the other principals of ANAHOP, and as part of the asset settlement relinquished ownership to the other principals of 12,857,144 shares of CirTran Corporation common stock, along with all of the warrants previously assigned to him.

In 2007, the Company issued a 10 percent promissory note to a family member of the Company's president in exchange for \$300,000. The note was due on demand after May 2008. The Company repaid principal and interest totaling \$8,444 and \$61,109 during the years ended December 31, 2008 and 2007, respectively. The principal amount owing on the notes was \$230,447 at December 31, 2008. On March 31, 2008, the Company issued to this same family member, along with four other Company shareholders, promissory notes totaling \$315,000. The family member's note was for \$105,000. Under the terms of all the notes, the Company received total proceeds of \$300,000, and agreed to repay the amount received plus a five percent borrowing fee. The notes were due April 30, 2008, after which they were due on demand, with interest accruing at 12 percent per annum. During the year ended December 31, 2008 the Company paid two of the notes in full for a total of \$105,000. In addition, the Company repaid \$58,196 in principal to the family member during the year ended December 31, 2008. The principal balance owing on the promissory notes as of June 30, 2009, totaled \$156,415.

During the year ended December 31, 2008, the Company president advanced the Company \$778,600. Of the amounts advanced, \$600,000 was used to purchase interest in PlayBev directly which resulted in a reduction of \$600,000 of amounts owed by PlayBev to the Company. During the three months ended June 30, 2009 the Company president advanced an additional \$500,000 to the company for his purchase of an additional 3 percent interest in PlayBev which resulted in a reduction of \$500,000 of amounts owed by PlayBev to the Company. As of June 30, 2009, the Company still owed the Company's president \$128,600 in the form of unsecured advances.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Registration rights agreements - In December 2005, in connection with the Company's issuance of a convertible debenture to YA Global Investments, L.P., formerly known as Cornell Capital Partners, L.P. ("YA Global") (see Note 8), the Company granted to YA Global registration rights, pursuant to which the Company agreed to file, within 120 days of the closing of the purchase of the debenture, a registration statement to register the resale of shares of the Company's common stock issuable upon conversion of the debenture. The Company also agreed to use its best efforts to have the registration statement declared effective within 270 days after filing the registration statement. The Company agreed to register the resale of up to 32,608,696 shares and 10,000,000 warrants, and to keep the registration statement effective until all of the shares issuable upon conversion of the debenture have been sold.

In August 2006, in connection with the Company's issuance of a second convertible debenture to YA Global (see Note 8), the Company granted YA Global registration rights, pursuant to which the Company agreed to file, within 120 days of the closing of the purchase of the debenture, a registration statement to register the resale of shares of the Company's common stock issuable upon conversion of the debenture. The Company also agreed to use its best efforts to have the registration statement declared effective within 270 days after filing the registration statement. The Company agreed to register the resale of up to 74,291,304 shares and 15,000,000 warrants, and to keep such registration statement effective until all of the shares issuable upon conversion of the debenture have been sold. The 10,000,000 warrants expired on December 31, 2005.

Previously, YA Global has agreed to extensions of the filing deadlines inherent in the terms of the two convertible debentures mentioned above, and in February 2008 agreed to extend the filing deadlines to December 31, 2008. No further extension has been granted.

The Company currently has issued and outstanding options, warrants, convertible notes and other instruments for the acquisition of the Company's common stock in excess of the available authorized but unissued shares of common stock provided for under the Company's Articles of Incorporation, as amended. As a consequence, in the event that the holders of such instruments requiring the issuance, in the aggregate, of a number of shares of common stock that would, when combined with the previously issued and outstanding common stock of the Company exceed the authorized capital of the Company, seek to exercise their rights to acquire shares under those instruments, the Company will be required to increase the number of authorized shares or effect a reverse split of the outstanding shares in order to provide sufficient shares for issuance under those instruments.

NOTE 7 - NOTES PAYABLE

On June 6, 2006, the Company and ABS signed an agreement (the "Asset Purchase Agreement"), subject to the ABS Bankruptcy Court's approval. On June 7, 2006, the ABS Bankruptcy Court entered orders approving the Asset Purchase Agreement and granting the Sale Motion, and approving the settlement and compromise of certain disputed claims against ABS (see Legal Proceedings). Under the Asset Purchase Agreement, the Royalty Obligation is capped at \$4,135,000. To the extent the amounts paid to ABS on account of the Royalty Obligation equal less than \$435,000 on the two-year anniversary of the closing of the purchase, then, within 30 days of such anniversary, the Company has agreed to pay ABS an amount equal to \$435,000 less the royalty payments made to date. As of June 30, 2009 the balance on the note is \$119,904.

Throughout 2007, as energy drink development and marketing activities progressed, After Bev Group, LLC, raised additional funds by selling portions of the membership in AfterBev to other investors. By December 31, 2007, a total of \$3,663,000 was raised, of which \$2,572,290 was recorded as distributable proceeds to two individuals with original interests in AfterBev. During 2007, distributable proceeds owed to one of these individuals was a net \$950,000. The same individual was also owed \$50,000 of the \$250,000 that had been advanced as part of the membership interest in PlayBev. In December 2007, the Company agreed to convert the \$50,000 still owing, plus the remaining distributable proceeds payable, into a two-year, \$1,000,000, unsecured, non-interest bearing promissory note. The Company recorded the note in its financial statements net of \$193,548 in imputed interest at the Company's incremental borrowing rate of 12 percent, calculated over the life of the note. As of June 30, 2009, a total of \$147,743 had been accreted against the loan. Interest expense of \$24,094 and \$47,923 was accreted during the three and six months ended June 30, 2009, respectively, as compared to accretion expense of \$24,094 and \$48,118 for the three and six months ended June 30, 2008, respectively. The carrying value of the note will continue to be accreted over the life of the note until the carrying value equals the face value of \$1,000,000. As of June 30, 2009, the balance on the note was \$954,194.

In February 2008, the Company issued a 10 percent, three-year, \$700,000 promissory note to an investor. No interim principal payments are required, but accrued interest is due quarterly. The investor also received five-year warrants to purchase up to 75,000,000 shares of common stock at exercise prices ranging from \$0.02 to \$0.50 per share. The Company determined that the warrants fell under derivative accounting treatment, and recorded the initial carrying value of a derivative liability equal to the fair value of the warrants at the time of

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issuance. At the same time, a discount equal to the face amount of the note was recorded, to be recognized ratably to interest expense. Interest expense of \$58,280 and \$115,920 was accreted during the three and six months ended June 30, 2009, respectively, as compared to accretion expense of \$58,280 and \$78,774 for the three and six months ended June 30, 2008. A total of \$312,534 has been accreted against the note as of June 30, 2009. The carrying value of the note will continue to be accreted over the life of the note until the carrying value equals the face value of \$700,000. As of June 30, 2009, the balance of the note was \$312,534. The fair value of the derivative liability stemming from the associated warrants as of June 30, 2009, was \$158,207.

In March 2008, the Company converted \$75,000 owed to an unrelated member of AfterBev into a one-year, 10 percent promissory note, with interest payable quarterly. The balance as of June 30, 2009 was \$75,000. The note renews monthly.

In April 2008, the Company issued a 12 percent promissory note to an individual for \$315,000. The Company received proceeds of \$300,000, and agreed to repay the amount received plus a five percent borrowing fee. This note was due in May 2008, after which it became due on demand, with interest accruing at 12 percent per annum. The Company president also agreed to personally guarantee the payment of this note. On April 2, 2009 payment was made in full.

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On April 2, 2009 the Company President and a Director of the Company borrowed a total of \$890,000 in the form of four short term promissory notes. The Company President and a Director of the Company signed personally for the notes. Since the loans were used to pay obligations of the Company, the Company has assumed full responsibility for the notes. Two of the notes were for a term of 60 days, with a 60 day grace period, a third note was for a term of 90 days, and a fourth note was for 24 days. Loan fees totaling \$103,418 were incurred with the issuance of the notes and are payable upon maturity of the notes. The promissory notes and loan fees have not been paid. As of June 30, 2009 two of the notes were in the 60 day grace period and one was in default. Play Beverages, LLC. guaranteed the original notes.

NOTE 8 - CONVERTIBLE DEBENTURES

Highgate House Funds, Ltd. - In May 2005, the Company entered into an agreement with Highgate to issue a \$3,750,000, 5% Secured Convertible Debenture (the "Debenture"). The Debenture was originally due December 31, 2007, and is secured by all of the Company's assets. Highgate extended the maturity date of the Debenture to December 31, 2008. As of January 1, 2008 the interest rate increased to 12 percent.

Accrued interest is payable at the time of maturity or conversion. The Company may, at its option, elect to pay accrued interest in cash or shares of its common stock. If paid in stock, the conversion price shall be the closing bid price of the common stock on either the date the interest payment is due or the date on which the interest payment is made. The balance of accrued interest owed at June 30, 2009 was \$287,825.

At any time, Highgate may elect to convert principal amounts owing on the Debenture into shares of the Company's common stock at a conversion price equal to the lesser of \$0.10 per share or an amount equal to the lowest closing bid price of the Company's common stock for the twenty trading days immediately preceding the conversion date. The Company has the right to redeem a portion of the entire Debenture outstanding by paying 105 percent of the principal amount redeemed plus accrued interest thereon.

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Highgate's right to convert principal amounts of the Debenture into shares of the Company's common stock is limited as follows:

- (i) Highgate may convert up to \$250,000 worth of the principal amount plus accrued interest of the Debenture in any consecutive 30-day period when the market price of the Company's stock is \$0.10 per share or less at the time of conversion;
- (ii) Highgate may convert up to \$500,000 worth of the principal amount plus accrued interest of the Debenture in any consecutive 30-day period when the price of the Company's stock is greater than \$0.10 per share at the time of conversion; provided, however, that Highgate may convert in excess of the foregoing amounts if the Company and Highgate mutually agree; and
- (iii) Upon the occurrence of an event of default, Highgate may, in its sole discretion, accelerate full repayment of all debentures outstanding and accrued interest thereon, or may convert the Debentures and accrued interest thereon into shares of the Company's common stock.

Except in the event of default, Highgate may not convert the Debenture for a number of shares that would result in Highgate owning more than 4.99 percent of the Company's outstanding common stock.

The Company also granted Highgate registration rights related to the shares of the Company's common stock issuable upon the conversion of the Debenture.

The Company determined that certain conversion features of the Debenture fell under derivative accounting treatment. Since May 2005, the carrying value has been accreted over the life of the debenture until December 31, 2007, the original maturity date. As of that date, the carrying value of the Debenture was \$970,136, which was the remaining face value of the debenture. The carrying value of the Debenture as of June 30, 2009, was \$620,136. The fair value of the derivative liability stemming from the debenture's conversion feature was determined to be \$0 as of June 30, 2009.

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In connection with the issuance of the Debenture, \$2,265,000 of the proceeds was used to repay earlier promissory notes. Fees of \$256,433, withheld from the proceeds, were capitalized and were amortized over the life of the note.

During 2006, Highgate converted \$1,000,000 of Debenture principal and accrued interest into a total of 37,373,283 shares of common stock. During 2007, Highgate converted \$1,979,864 of Debenture principal and accrued interest into a total of 264,518,952 shares of common stock. During the year ended December 31, 2008, Highgate converted \$350,000 of debenture principal into a total of 36,085,960 shares of common stock. There was no activity associated with the debenture during the six months ended June 30, 2009, other than \$36,902 of interest expense accrued on the debenture.

YA Global December Debenture - In December 2005, the Company entered into an agreement with YA Global to issue a \$1,500,000, 5 percent Secured Convertible Debenture (the "December Debenture"). The December Debenture was originally due July 30, 2008, and has a security interest in all the Company's assets, subordinate to the Highgate security interest. YA Global also agreed to extend the maturity date of the December Debenture to December 31, 2008. As of January

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1, 2008 the interest rate was increased to 12 percent.

Accrued interest is payable at the time of maturity or conversion. The Company may, at its option, elect to pay accrued interest in cash or shares of the Company's common stock. If paid in stock, the conversion price shall be the closing bid price of the common stock on either the date the interest payment is due or the date on which the interest payment is made.

At any time, YA Global may elect to convert principal amounts owing on the December Debenture into shares of the Company's common stock at a conversion price equal to an amount equal to the lowest closing bid price of the Company's common stock for the twenty trading days immediately preceding the conversion date. The Company has the right to redeem a portion or the entire December Debenture then outstanding by paying 105 percent of the principal amount redeemed plus accrued interest thereon. Interest expense accrued during the six months ending June 30, 2009 totaled \$89,200. The balance of accrued interest owed at June 30, 2009, was \$420,164.

YA Global's right to convert principal amounts of the December Debenture into shares of the Company's common stock is limited as follows:

- (i) YA Global may convert up to \$250,000 worth of the principal amount plus accrued interest of the December Debenture in any consecutive 30-day period when the market price our stock is \$0.10 per share or less at the time of conversion;
- (ii) YA Global may convert up to \$500,000 worth of the principal amount plus accrued interest of the December Debenture in any consecutive 30-day period when the price of the Company's common stock is greater than \$0.10 per share at the time of conversion; provided, however, that YA Global may convert in excess of the foregoing amounts if the Company and YA Global mutually agree; and
- (iii) Upon the occurrence of an event of default, YA Global may, in its sole discretion, accelerate full repayment of the debenture outstanding and accrued interest thereon or may convert the December Debenture and accrued interest thereon into shares of the Company's common stock.

Except in the event of default, YA Global may not convert the December Debenture for a number of shares that would result in YA Global owning more than 4.99 percent of the Company's outstanding common stock.

The YA Global Debenture was issued with 10,000,000 warrants, with an exercise price of \$0.09 per share. The warrants vested immediately and had a three-year life. As a result of the May 2007 1.2-for1 forward stock split, the effective number of vested warrants increased to 12,000,000. On December 31, 2008, all 12,000,000 warrants expired.

The Company also granted YA Global registration rights related to the shares of the Company's common stock issuable upon the conversion of the December Debenture and the exercise of the warrants. As of the date of this Report, no registration statement had been filed.

The Company determined that the conversion features on the December Debenture and the associated warrants fell under derivative accounting treatment. The carrying value was accreted over the life of the December Debenture until August

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31, 2008, a former maturity date, at which time the principal value of the December Debenture reached \$1,500,000. The fair value of the derivative liability stemming from the December Debenture's conversion feature was determined to be \$0 as of June 30, 2009.

In connection with the issuance of the December Debenture, fees of \$130,000, withheld from the proceeds, were capitalized and were amortized over the original life of the December Debenture.

As of June 30, 2009, YA Global had not converted any of the December Debenture into shares of the Company's common stock. There was no activity associated with the debenture during the six months ended June 30, 2009 other than \$89,260 of accrued interest expense on the debenture.

YA Global August Debenture - In August 2006, the Company entered into another agreement with YA Global relating to the issuance by the Company of another 5 percent Secured Convertible Debenture, due in April 2009, in the principal amount of \$1,500,000 (the "August Debenture").

Accrued interest is payable at the time of maturity or conversion. The Company may, at its option, elect to pay accrued interest in cash or shares of the Company's common stock. If paid in stock, the conversion price shall be the closing bid price of the common stock on either the date the interest payment is due or the date on which the interest payment is made. The balance of accrued interest owed at June 30, 2009, was \$338,239.

YA Global is entitled to convert, at its option, all or part of the principal amount owing under the August Debenture into shares of the Company's common stock at a conversion price equal 100 percent of the lowest closing bid price of the Company's common stock for the twenty trading days immediately preceding the conversion date.

YA Global's right to convert principal amounts owing under the August Debenture into shares of our common stock is limited as follows:

- (i) YA Global may convert up to \$500,000 worth of the principal amount plus accrued interest of the August Debenture in any consecutive 30-day period when the price of the Company's common stock is \$0.03 per share or less at the time of conversion;
- (ii) YA Global may convert any amount of the principal amount plus accrued interest of the August Debenture in any consecutive 30-day period when the price of the Company's common stock is greater than \$0.03 per share at the time of conversion; and
- (iii) Upon the occurrence of an Event of Default (as defined in the August Debenture), YA Global may, in its sole discretion, accelerate full repayment of all debentures outstanding and accrued interest thereon or may, notwithstanding any limitations contained in the August Debenture and/or the Purchase Agreement, convert all debentures outstanding and accrued interest thereon in to shares of the Company's common stock pursuant to the August Debenture.

Except in the event of default, YA Global may not convert the August Debenture for a number of shares of common stock that would cause the aggregate number of shares of Common Stock beneficially owned by Cornell and its affiliates to exceed 4.99 percent of the outstanding shares of the common stock following such conversion.

In connection with the issuance of the August Debenture, the Company granted YA

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Global registration rights related to the common stock issuable upon conversion of the August Debenture and the exercise of the Warrants. As of the date of this report, no registration statement had been filed.

With the issuance of the August Debenture, fees of \$135,000, withheld from the proceeds, were capitalized and were amortized over the life of the August Debenture.

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In connection with the August Purchase Agreement, the Company also agreed to grant to YA Global warrants (the "Warrants") to purchase up to an additional 15,000,000 shares of the Company's common stock. The Warrants have an exercise price of \$0.06 per share, and expire three years from the date of issuance. The Warrants also provide for cashless exercise if at the time of exercise there is not an effective registration statement or if an event of default has occurred. As a result of the May 2007 1.2-for 1 forward stock split, the effective number of outstanding warrants increased to 18,000,000.

The Company determined that the conversion features on the August Debenture and the associated warrants fell under derivative accounting treatment. The carrying value will be accreted each quarter over the life of the August Debenture until the carrying value equals the face value of \$1,500,000. YA Global chose to convert \$117,622 of the convertible debenture into 72,710,337 shares of common stock during the six months ended June 30, 2009 (see note 9). As of June 30, 2009, the carrying value of the August Debenture was \$1,041,218. The fair value of the derivative liability arising from the August Debenture's conversion feature and warrants was \$0 as of June 30, 2009.

Forbearance Agreement - On August 11, 2009, the Company and YA Global entered into a forbearance agreement and related agreements. The Forbearance Agreement related specifically to the three debentures issued by the Company to YA or its predecessor entities: a May 26, 2005, debenture in the principal amount of \$3,750,000 (the "May Debenture"), a December 30, 2005, debenture in the principal amount of \$1,500,000 (the "December Debenture"), and an August 23, 2006, debenture in the principal amount of \$1,500,000 (the "August Debenture," and collectively with the May Debenture and the December Debentures, the "Debentures"), together with certain other agreements entered into in connection with the issuance of the Debentures (collectively, the "Financing Documents").

The Forbearance Agreement notes that the Company had requested that YA forbear from enforcing its rights and remedies under the Financing Documents, and sets forth the agreement between the Company and YA with respect to such forbearance.

Specifically, the Company agreed to waive any claims against YA, and released any such claims the Company may have had. The Company also ratified its obligations under the Financing Documents; agreed to the satisfaction of certain conditions precedent, including the entry into a Global Security Agreement (discussed below), a Global Guaranty Agreement (discussed below), and an amendment of a warrant granted to YA in connection with the issuance of the August Debenture; agreed to seek to obtain waivers from the Company's landlords at its properties in Utah, California, and Arkansas; agreed to seek to obtain deposit account control agreements from the Company's banks and depository institutions; and to repay the Company's obligations under the Debentures on the following schedule:

- i. \$125,000 on August 11, 2009 (at the time of signing of this Agreement);
- ii. \$150,000 on September 1, 2009;
- iii. \$150,000 on October 1, 2009;

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- iv. \$200,000 on November 1, 2009;
- v. \$200,000 on December 1, 2009;
- vi. \$250,000 on January 1, 2010;
- vii. \$250,000 on February 1, 2010;
- viii. \$300,000 on March 1, 2010;
- ix. \$300,000 on April 1, 2010;
- x. \$300,000 on May 1, 2010;
- xi. \$300,000 on June 1, 2010;
- xii. \$300,000 on July 1, 2010; and
- xiii. the remaining balance of the Obligations shall be paid in full in good and collected funds by federal funds wire transfer on or before the earlier of (i) the occurrence of a Termination Event (as defined below), or (ii) 3:00 P.M. (New York Time) on July 1, 2010 (hereinafter, the "Termination Date").

Pursuant to the Forbearance Agreement, the parties agreed that the Company, subject to the consent of YA, may choose to pay all or any portion of the payments listed above in common stock, with the conversion price to be used to determine the number of shares of common stock being equal to 85% of the lowest closing bid price of the Company's common stock during the ten trading days prior to the payment date.

In exchange for the satisfaction of such conditions and agreements from the Company, YA agreed to forbear from enforcing its rights and remedies as a result of the existing defaults and/or converting the Debentures into shares of the Company's common stock, until the earlier of (i) the occurrence of a Termination Event (as defined in the Forbearance Agreement), or (ii) the Termination Date, which is given as July 1, 2010. Notwithstanding the foregoing, nothing contained in the Forbearance Agreement or the other Forbearance Documents will be deemed to constitute a waiver by YA of any default or event of default, whether now existing or hereafter arising (including, without limitation, the existing defaults listed in the Forbearance Agreement), and/or its right to convert the Debentures into shares of the Company's common stock.

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The Company, YA, and certain of the Company's subsidiaries also entered into a Global Security Agreement (the "GSA") in connection with the Forbearance Agreement. Under the GSA, the Company and the participating subsidiaries pledged and granted to YA, its successors and assigns, a security interest in and to all assets and personal property of each Grantor, as security for the payment or performance in full of the obligations set forth in the Forbearance Agreement.

Additionally, the Company, YA, and certain of the Company's subsidiaries also entered into a Global Guaranty Agreement (the "GGA") in connection with the Forbearance Agreement. Under the GGA, the Company and the participating subsidiaries guaranteed to YA the full payment and prompt performance of all of the obligations set forth in the Forbearance Agreement.

The Forbearance Agreement, the GSA, and the GGA are all described in more detail in, and copies of the agreements are included as exhibits to, a Current Report, filed with the Commission on August 17, 2009.

NOTE 9 - STOCKHOLDERS' EQUITY

During the six months ended June 30, 2009, the Company issued the following shares of restricted common stock:

- o 65,088,757 shares for payment of \$110,000 of principal on the August debenture to YA Global (see Note 8). Associated with the debenture

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conversion payment was a related decrease in the derivative liability of \$62,741.

- o 7,621,580 shares for payment of \$7,622 of principal on the August Debenture to YA Global (see Note 8).

NOTE 10 - STOCK OPTIONS AND WARRANTS

Stock Option Plans - As of June 30, 2009, there were no options outstanding from the three Stock Option Plans adopted during 2003 and 2004. Options to purchase a total of 59,200,000 shares of common stock had been issued from the 2006 Stock Option Plan as of June 30, 2009, out of which a maximum of 60,000,000 can be issued. As of June 30, 2009, options and share purchase rights to acquire a total of 22,960,000 shares of common stock had been issued from the 2008 Stock Option Plan, also out of which a maximum of 60,000,000 can be issued. The Company's Board of Directors administers the plans, and has discretion in determining the employees, directors, independent contractors, and advisors who receive awards, the type of awards (stock, incentive stock options, non-qualified stock options, or share purchase rights) granted, and the term, vesting, and exercise prices.

Employee Options - The Company did not grant any employee options during the six months ended June 30, 2009. During the six months ended June 30, 2008, the Company granted options to purchase 12,960,000 shares of common stock to employees, with an associated aggregated fair market value of \$105,296.

Option awards to employees are granted with an exercise price equal to the market price of the Company's stock at the date of grant. Most of the options granted previously have vested immediately, and most have had four-year contractual terms.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model, using the assumptions noted in the following table. Expected volatilities are based on the historical volatility of the Company's common stock over the most recent period commensurate with the expected term of the option. Prior to 2007, at times the Company granted options to employees in lieu of salary payments, and the pattern of exercise experience was known. Beginning in 2007, options were granted under different circumstances, and the Company has insufficient historical exercise data to provide a reasonable basis upon which to estimate the expected terms. Accordingly, in such circumstances, the Company in 2007 began using the simplified method for determining the expected term of options granted with exercise prices equal to the stock's fair market value on the grant date. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. As the Company did not grant any employee options during the six months ended June 30, 2009, no actual assumptions were applicable for the six months ended June 30, 2009 (see table below):

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	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Expected dividend yield	-	-	-	-
Risk free interest rate	n/a	n/a	n/a	1.4% - 2.7%
Expected volatility	n/a	n/a	n/a	118% - 120%

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Weighted average volatility	n/a	n/a	n/a	119%
Expected term (in years)	n/a	n/a	n/a	2.50
Weighted average fair value per share	n/a	n/a	n/a	\$0.008

A summary of the stock option activity under the Plans as of June 30, 2009, and changes during the six months then ended is presented below:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life	Aggregate Intrinsic Value
	-----	-----	-----	-----
Outstanding at December 31, 2008	56,160,000	\$ 0.014		
Granted	-	\$ -		
Exercised	-	\$ -		
Forfeited	(3,000,000)	\$ 0.014		
	-----	-----		
Outstanding at June 30, 2009	53,160,000	\$ 0.014	2.98	\$ -
	=====	=====	=====	=====
Excercisable at June 30, 2009	51,360,000	\$ 0.013	3.01	\$ -
	=====	=====	=====	=====

There were no options exercised during the six months ended June 30, 2009 and 2008. As of June 30, 2009, there was \$8,967 in unrecognized compensation cost related to nonvested options outstanding that is expected be recognized over a weighted average period of 2.5 years.

Share Purchase Rights - In January 2008, the Company granted share purchase rights to attorneys to acquire 10,000,000 shares of common stock at a price of \$0.0001 per share. The purchase rights were granted in order that the attorneys could sell the underlying shares and thus satisfy amounts due for legal services rendered. Additional legal expense of \$130,000 was recognized as the fair market value at the time the stock purchase rights were awarded. Fair market value was estimated using the Black-Scholes valuation model, and using assumptions for volatility and estimated term as being close to zero since it was assumed that the rights would be exercised almost immediately. As a result, the valuation of the stock purchase rights was calculated to be virtually the same as the fair value of the underlying common stock on the date of issuance.

Warrants - In connection with the YA Global convertible debenture issued in December 2005, the Company issued three-year warrants to purchase 10,000,000 shares of the Company's common stock. The warrants had an exercise price of \$0.09 per share, and vested immediately, and had a three-year contractual life. These warrants expired on December 31, 2008.

In May 2006, the Company closed a private placement of shares of its common stock and warrants in which it issued 14,285,715 shares of the Company's common stock to ANAHOP, Inc., a California corporation, and issued warrants to purchase up to 30,000,000 additional shares of common stock to designees of ANAHOP for a price of \$1,000,000. The term of these warrants was for five years. With respect to the shares underlying the warrants, the Company granted piggyback

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registration rights as follows: (A) once all of the warrants with an exercise price of \$0.15 per share have been exercised, the Company agreed to include in its next registration statement the resale of those underlying shares; (B) once all of the warrants with an exercise price of \$0.25 per share have been exercised, the Company agreed to include in its next registration statement the resale of those underlying shares; and (C) once all of the warrants with an exercise price of \$0.50 per share have been exercised, the Company agreed to include in its next registration statement the resale of those underlying shares. The Company did not grant any registration rights with respect to the original 14,285,715 shares of common stock.

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In connection with the YA Global convertible debenture issued in August 2006, the Company issued three-year warrants to purchase 15,000,000 shares of the Company's common stock. The warrants had an exercise price of \$0.06 per share, and vested immediately. In connection with the private placement with ANAHOP, the Company issued five-year warrants to purchase 30,000,000 shares of common stock at prices ranging from \$0.15 to \$0.50. All of these warrants were subject to adjustment in the event of a stock split. Accordingly, as a result of the 1.2 for 1 forward stock split that occurred in 2007, there are warrants outstanding at June 30, 2009, to purchase a total of 54,000,000 shares of common stock in connection with these transactions. The exercise price per share of each of the aforementioned warrants was likewise affected by the stock split, in that each price was reduced by 20 percent.

During 2008, in connection with issuing a promissory note, the Company also issued five-year warrants to purchase up to 75,000,000 shares of common stock at exercise prices ranging from \$0.02 to \$0.50 per share. Also during 2008, in connection with entering into an agreement with an outside consultant, the Company also issued four-year warrants to purchase up to 6,000,000 shares of common stock at an exercise price of \$0.0125 per share. The Company accounts for these consultant warrants under the provisions of EITF No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services.

The Corporation currently has an insufficient number of authorized shares to enable warrant holders to fully exercise their warrants, assuming all warrant holders desired to do so. Accordingly, the warrants are subject to derivative accounting treatment, and are included in the derivative liability related to the convertible debentures (see Note 8).

NOTE 11 - SEGMENT INFORMATION

Segment information has been prepared in accordance with SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information. The Company has four reportable segments: Electronics Assembly, Contract Manufacturing, Marketing and Media, and Beverage Distribution. The Electronics Assembly segment manufactures and assembles circuit boards and electronic component cables. The Contract Manufacturing segment manufactures, either directly or through foreign subcontractors, various products under manufacturing and distribution agreements. The Marketing and Media segment provides marketing services to online retailers, along with beverage development and promotional services to Play Beverages, LLC. The Beverage Distribution segment manufactures, markets, and distributes Playboy-licensed energy drinks domestically and internationally. The Beverage Distribution segment continues to grow, and the distribution channels, across the country and internationally, continue to gain traction. The company anticipates this segment to become more significant in relation to overall Company operations.

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The accounting policies of the segments are consistent with those described in the summary of significant accounting policies. The Company evaluates performance of each segment based on earnings or loss from operations. Selected segment information is as follows:

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	Electronics Assembly	Contract Manufacturing	Marketing and Media	Beverage Distribution

Three months ended June 30, 2009				
Sales to external customers	\$ 369,562	\$ 103,810	\$ 2,503,041	\$ 122,793
Segment income (loss)	1,282,159	(82,474)	(278,885)	(54,952)
Segment assets	4,090,248	2,032,251	7,819,175	286,198
Depreciation and amortization	96,153	64,551	5,841	-
Three months ended June 30, 2008				
Sales to external customers	\$ 365,763	\$ 685,634	\$ 2,944,865	\$ 243,859
Segment income (loss)	(853,441)	(30,703)	184,606	44,144
Segment assets	5,002,913	2,184,829	7,016,426	434,739
Depreciation and amortization	96,383	64,695	267	-
Six months ended June 30, 2009				
Sales to external customers	\$ 857,734	\$ 278,958	\$ 3,490,261	\$ 394,635
Segment income (loss)	(633,493)	(165,558)	(556,166)	(28,492)
Segment assets	4,090,248	2,032,251	7,819,175	286,198
Depreciation and amortization	192,305	129,102	11,682	-
Six months ended June 30, 2008				
Sales to external customers	\$ 1,036,695	\$ 1,521,712	\$ 4,217,350	\$ 324,827
Segment income (loss)	(1,072,622)	228,932	20,354	100,323
Segment assets	5,002,913	2,184,829	7,016,426	434,739
Depreciation and amortization	192,075	129,391	751	-

NOTE 12 - GEOGRAPHIC INFORMATION

The Company currently maintains approximately \$493,241 of capitalized tooling costs in China. All other revenue-producing assets are located in the U.S. While the Company ships products overseas on behalf of its customers, those customers are located almost exclusively in the United States.

NOTE 13 - SUBSEQUENT EVENTS

On July 14, 2009 the Company entered into a Stock Purchase Agreement with one of the directors of the Company to purchase 75,000,000 shares of common stock of the Company at a purchase price of \$.003 per share, for a total of \$225,000, payable through the conversion of outstanding loans made by the director to the Company. Mr. Nora and the Company acknowledged in the purchase agreement that the Company did not have sufficient shares to satisfy the issuances, and agreed that the shares would be issued once the Company has sufficient shares to do so.

On July 14, 2009 the Company entered into a Stock Purchase Agreement with the president of the Company to purchase 50,000,000 shares of common stock of the Company at a purchase price of \$.003 per share, for a total amount of \$150,000, payable through the conversion of outstanding loans made by the president of the

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Company to the Company. Mr. Hawatmeh and the Company acknowledged in the purchase agreement that the Company did not have sufficient shares to satisfy the issuances, and agreed that the shares would be issued once the Company has sufficient shares to do so.

As discussed above in Note 9, on August 11, 2009, the Company and YA Global entered into a Forbearance Agreement, pursuant to which YA Global agreed to forbear from enforcing its rights under the three Debentures issued by the Company to YA and its predecessor entities. See Note 9.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2008.

Overview

In our U.S. operations, we provide a mix of high and medium size volume turnkey manufacturing services and products using various high-tech applications for leading electronics OEMs in the communications, networking, peripherals, gaming, law enforcement, consumer products, telecommunications, automotive, medical, and semiconductor industries. Our services include pre-manufacturing, manufacturing and post-manufacturing services. Our goal is to offer customers the significant competitive advantages that can be obtained from manufacture outsourcing. We also market an energy drink under the Playboy brand pursuant to a license agreement with Playboy Enterprises, Inc.

We conduct business through our subsidiaries and divisions: CirTran USA, CirTran Asia, CirTran Products, CirTran Media Group, CirTran Online, and CirTran Beverage.

CirTran USA accounted for 12 percent and 9 percent of our total revenues during the three months ended June 30, 2009 and 2008 respectively, and accounted for 17 percent and 15 percent, respectively, of total revenues for the six months ended June 30, 2009 and 2008. Revenues were generated by low-volume electronics assembly activities consisting primarily of the placement and attachment of electronic and mechanical components on printed circuit boards and flexible (i.e., bendable) cables.

Through CirTran Asia we manufacture and distribute electronics, consumer products and general merchandise to companies selling in international markets. Sales were 0 and 16 percent of our total revenues during the three months ended June 30, 2009 and 2008, respectively. Sales during the six-month periods ending June 30, 2009 and 2008 were 3 and 20 percent of total revenues, respectively.

CirTran Products pursues contract manufacturing relationships in the U.S. consumer products markets, including licensed merchandise sold in the sports and entertainment markets. Sales comprised 3 and 1 percent of total sales for the quarters ended June 30, 2009 and 2008, respectively, and comprised 3 and 1 percent of total sales for the six months ended June 30, 2009 and 2008, respectively.

CirTran Media provides end-to-end services to the direct response and entertainment industries. Revenues for CirTran Media were 0 percent and 3 percent of total sales for the quarters ended June 30, 2009 and 2008, respectively. During the six months ended June 30, 2009 and 2008, revenues were

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0 and 4 percent, respectively.

CirTran Online sells products via the internet, and provides services and support to internet retailers. In conjunction with partner GMA, revenues from this division were 23 and 23 percent of total revenues during the three months ending June 30, 2009 and 2008, respectively, and were 26 and 20 percent of total revenues during the six months ended June 30, 2009 and 2008, respectively.

CirTran Beverage manufactures, markets, and distributes Playboy-licensed energy drinks, which in the future are anticipated to include flavored water beverages, and related merchandise. We have also entered into an agreement with PlayBev, a related party who holds the Playboy license. We provide development and promotional services to PlayBev, and pay a royalty based on our product sales and manufacturing costs. Services billed to PlayBev during the three months ended June 30, 2009 and 2008 under this arrangement accounted for 58 and 43 percent of total sales, respectively, while services billed to PlayBev during the six months ended June 30, 2009 and 2008, totaled 43 and 35 percent, respectively. Sales of energy drink beverages during the three months ended June 30, 2009 and 2008 amounted to 4 percent and 6 percent of total sales, respectively. During the six months ended June 30, 2009 and 2008 sales of energy drink beverages accounted for 8 and 5 percent of total sales, respectively.

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Forward-Looking Statements and Certain Risks

The statements contained in this report that are not purely historical are considered to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act. These statements represent our expectations, hopes, beliefs, anticipations, commitments, intentions, and strategies regarding the future. They may be identified by the use of words or phrases such as "believes," "expects," "anticipates," "should," "plans," "estimates," and "potential," among others. Forward-looking statements include, but are not limited to, statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial performance, revenue, and expense levels in the future and the sufficiency of our existing assets to fund future operations and capital spending needs. Readers are cautioned that actual results could differ materially from the anticipated results or other expectations that are expressed in these forward-looking statements for the reasons detailed in our most recent Annual Report on Form 10-K at pages 14 through 23. The fact that some of these risk factors may be the same or similar to our past reports filed with the SEC means only that the risks are present in multiple periods. We believe that many of the risks detailed here and in our other SEC filings are part of doing business in the industry in which we operate and compete and will likely be present in all periods reported. The fact that certain risks are common in the industry does not lessen their significance. The forward-looking statements contained in this report, are made as of the date of this report and we assume no obligation to update them or to update the reasons why our actual results could differ from those that we have projected in such forward-looking statements. We expressly disclaim any obligation or intention to update any forward-looking statement.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2009 and 2008

Sales and Cost of Sales

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Net sales decreased to \$3,099,206 for the quarter ended June 30, 2009, as compared to \$4,240,121 for the quarter ended June 30, 2008, while net sales for the first half of 2009 fell \$2,078,987 as compared to the same period in 2008. The net sales decreases in 2009 as compared to 2008 are attributable primarily to the effects of the national economic slowdown in our traditional manufacturing segments and a strategic shift into promising segments that will produce immediate sales results and improved profit margins. In our Beverage Distribution segment, we continue to gain momentum as we have experienced a 21 percent increase in our net sales during the six months ended June 30, 2009, as compared to the six months ended June 30, 2008, driven by our continued domestic and international expansion of the Playboy Energy Drink beverages.

Cost of sales, as a percentage of sales, increased to 91 percent from 82 percent for the three months ended June 30, 2009, as compared to the prior year, while cost of sales for the six months ended June 30, 2009 increased to 84 percent as compared to 78 percent for the six months ended June 30, 2008. Consequently, the gross profit margin decreased to 6 percent from 16 percent, respectively, for the three months ended June 30, 2009 and 2008, respectively, while the gross profit margin for the six months ended June 30, 2009 and 2008 decreased to 11 percent from 20 percent. The decreases in gross profit margin were attributable to the significant shift in the sales mix of products and services experienced during 2009 as compared to 2008. One of the primary reasons for the difference was the arrangement we have with GMA. Pursuant to our Assignment and Exclusive Services Agreement, we recognize the revenue collected under the GMA contracts, and remit back to GMA a management fee approximating their actual costs. This management fee is included in our cost of revenue. Another reason the gross margin decreased was due to the nature of our manufacturing and distribution agreement with PlayBev. CirTran Beverage invoices PlayBev for beverage development and marketing services, which are very low margin projects. However, we anticipate that gross profit margins for CirTran Beverage will increase during the balance of 2009, as the distribution of the Playboy Energy Drink beverages continues to expand both domestically and internationally.

The following charts present comparisons of sales, cost of sales and gross profits generated by our four operating segments, i.e., Contract Manufacturing, Electronics Assembly, Marketing and Media and Beverage Distribution during the three and six months ended June 30, 2009 and 2008.

Three Months Ended:

Segment	Year	Sales	Cost of Sales	Royalty Expense
Electronics Assembly	2009	\$ 369,562	\$ 259,214	\$ -
	2008	365,763	278,194	-
Contract Manufacturing	2009	\$ 103,810	\$ 52,682	\$ -
	2008	685,634	421,374	-
Marketing / Media	2009	\$ 2,503,041	\$ 2,382,271	\$ -
	2008	2,944,865	2,682,287	-
Beverage Distribution	2009	\$ 122,793	\$ 132,501	\$ 82,442
	2008	243,859	83,605	104,640

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Six Months Ended:

Segment	Year	Sales	Cost of Sales	Royalty Expense
Electronics Assembly	2009	\$ 857,734	\$ 551,155	\$ -
	2008	1,036,695	693,464	-
Contract Manufacturing	2009	\$ 278,958	\$ 128,623	\$ -
	2008	1,521,712	969,366	-
Marketing / Media	2009	\$ 3,490,261	\$ 3,322,992	\$ -
	2008	4,217,350	3,797,024	-
Beverage Distribution	2009	\$ 394,635	\$ 227,355	\$ 229,631
	2008	324,827	108,037	110,990

Selling, General and Administrative Expenses

During the three months ended June 30, 2009, selling, general and administrative expenses decreased \$627,996 as compared to the same period during 2008, while selling, general and administrative expenses decreased \$934,822 during the six months ended June 30, 2009 as compared to the same period during 2008. The primary reason for the decrease was the slowing of advertising and media promotion spending during the six months ended June 30, 2009, together with the reduction of travel and legal expenses. As mentioned previously, not only has the effects of the national economic decline resulted in a decrease in cable assembly and electronic orders from our traditional customers, but we have experienced a softening of sales in all segments, with the exception of our Beverage Distribution segment, driving the decrease in advertising and media promotion spending and travel expenditures. These cost savings were offset somewhat by increases in insurance, amortization and freight out expenses.

Non-cash compensation expense

Compensation expense in connection with granting options to employees to purchase common stock has decreased significantly during the three and six months ended June 30, 2009, as compared to the prior year as no options were granted during the three and six months ended June 30, 2009.

Other income and expense

Major components of other income and expense were as follows:

- o Interest expense for the three and six months ended June 30, 2009 was \$241,242 and \$567,808, respectively as compared to \$565,369 and \$1,044,001 for the comparative period in 2008, a decrease of nearly 57 percent and 46 percent, respectively. The decrease is related primarily to elimination of the mortgage on our building through a sale and leaseback arrangement.
- o During the first quarter of 2008, we arrived at a settlement agreement in connection with litigation, and were paid \$300,000 to resolve all claims.
- o We also recorded a gain of \$1,693,764 on our derivative valuation for the quarter ended June 30, 2009, as compared to a gain of \$822,975 derived during the quarter ended June 30, 2008. For the six months ended June 30, 2009 we recorded a gain of \$405,156 on our derivative valuation, as compared to a \$1,705,162 gain during

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the six months ended June 30, 2008. The difference resulted from the varying valuations calculated during the respective periods, taking into account differing debt levels of the underlying convertible debentures, along with the varying market values of our common stock.

As a result of the above mentioned factors, we experienced a \$865,847 gain during the three months ended June 30, 2009, reducing our net loss for the six months ended June 30, 2009 to \$1,383,709. During the three and six months ended June 30, 2009, we recorded net losses of \$655,394 and \$723,013, respectively.

Liquidity and Capital Resources

Our operating expenses are currently greater than our revenues. We have had a history of losses, and our accumulated deficit was \$34,709,124 at June 30, 2009, and \$33,325,415 at December 31, 2008. Our net loss for the first six months of 2009 was \$1,383,709, compared to \$723,013 for the first six months of 2008. Our current liabilities exceeded our current assets by \$5,652,038 as of June 30, 2009, and \$4,244,213 as of December 31, 2008. The driving factors for the difference were a combination of increases in short-term accounts payable and other accrued liabilities. For the six months ended June 30, 2009, we experienced negative cash flows from operating activities of \$1,792,906, as compared to negative cash flows from operations of \$2,709,966 during the six months ended June 30, 2008.

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Cash

For the six months ended June 30, 2009, we experienced negative cash flows from operating activities of \$1,792,906 primarily to support modest inventory increases and both trade and related party receivables. The balance of the difference in cash used, as compared to cash provided, by operations during the first six months of 2009 and 2008 was the result of the differences in various non-cash elements of gain and loss such as depreciation, accretion and amortization expenses, and the changes in derivative valuations on the convertible debentures and related warrants.

Accounts Receivable

The increase in accounts receivable as of June 30, 2009, as compared to December 31, 2008, resulted from a combination of increases for both trade and related party receivables during the six months of 2009. We agreed to provide services to PlayBev for initial development, marketing, and promotion of the energy drink. We bill these services to PlayBev and record the amount as a related party account receivable.

Accounts payable and accrued liabilities

Accounts payable and other accrued liabilities owing as of June 30, 2009, increased a combined \$2,372,247 when compared to corresponding year-end amounts at December 31, 2008. Accounts payable increased by \$232,386 during the first six months of 2009, while short term advances payable and other accrued liabilities increased by a combined \$2,139,861 as compared to the December 31, 2008, year-end amounts, driven by an increase in bridge loans and related accrued interest.

Liquidity and financing arrangements

We have a history of substantial losses from operations, and of using rather

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than providing cash in operations. We had an accumulated deficit of \$34,709,124 along with a total stockholders' deficit of \$1,553,308 at June 30, 2009. In addition, during the six months ended June 30, 2009, we have used, rather than provided, cash in our operations. Our monthly operating costs plus interest expense payable in cash averaged approximately \$1,000,000 per month during the six months ended June 30, 2009.

In conjunction with our efforts to improve our results of operations, we are also actively seeking infusions of capital from investors, and are seeking sources to repay our existing convertible debentures. In our current financial condition, it is unlikely that we will be able to obtain additional debt financing at a reasonable cost. Even if we did acquire additional debt, we would be required to devote additional cash flow to servicing the debt, and either securing the debt with assets, or paying a premium cost. Accordingly, we are looking to obtain equity financing to meet our anticipated capital needs. There can be no assurances that we will be successful in obtaining such capital. If we issue additional shares for equity or in connection with debt, this will dilute the value of our common stock and existing shareholders' positions.

There can be no assurance that we will be successful in obtaining more debt and/or equity financing in the future or that our results of operations will materially improve in either the short or the long term. If we fail to obtain such financing and improve our results of operations, we will be unable to meet our obligations as they become due. That would raise substantial doubt about our ability to continue as a going concern.

Convertible Debentures

Highgate House Funds, Ltd. - In May 2005, we entered into an agreement with Highgate to issue a \$3,750,000, five percent Secured Convertible Debenture (the "Debenture"). The Debenture was originally due December 2007, and is secured by all of our assets. Highgate agreed to extend the maturity date of the Debenture to December 31, 2008.

Accrued interest is payable at the time of maturity or conversion. We may, at our option, elect to pay accrued interest in cash or shares of our common stock. If paid in stock, the conversion price shall be the closing bid price of the common stock on either the date the interest payment is due or the date on which the interest payment is made. The balance of accrued interest owed at June 30, 2009, was \$287,825.

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At any time, Highgate may elect to convert principal amounts owing on the Debenture into shares of our common stock at a conversion price equal to the lesser of \$0.10 per share or an amount equal to the lowest closing bid price of our common stock for the twenty trading days immediately preceding the conversion date. We have the right to redeem a portion of the entire Debenture outstanding by paying 105 percent of the principal amount redeemed plus accrued interest thereon.

Highgate's right to convert principal amounts of the Debenture into shares of our common stock is limited as follows:

- (i) Highgate may convert up to \$250,000 worth of the principal amount plus accrued interest of the Debenture in any consecutive 30-day period when the market price of our stock is \$0.10 per share or less at the time of conversion;
- (ii) Highgate may convert up to \$500,000 worth of the principal amount plus accrued interest of the Debenture in any

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consecutive 30-day period when the price of our stock is greater than \$0.10 per share at the time of conversion; provided, however, that Highgate may convert in excess of the foregoing amounts if we and Highgate mutually agree; and

- (iii) Upon the occurrence of an event of default, Highgate may, in its sole discretion, accelerate full repayment of all debentures outstanding and accrued interest thereon, or may convert the Debentures and accrued interest thereon into shares of our common stock.

Except in the event of default, Highgate may not convert the Debenture for a number of shares that would result in Highgate owning more than 4.99 percent of our outstanding common stock.

We also granted Highgate registration rights related to the shares of our common stock issuable upon the conversion of the Debenture. As of the date of this Report, no registration statement had been filed.

We determined that certain conversion features of the Debenture fell under derivative accounting treatment. Since May 2005, the carrying value has been accreted over the life of the debenture until December 31, 2007, the original maturity date. As of that date, the carrying value of the Debenture was \$970,136, which was the remaining face value of the debenture. The carrying value of the Debenture as of June 30, 2009, was \$620,136. The fair value of the derivative liability stemming from the debenture's conversion feature as of June 30, 2009 was \$0.

In connection with the issuance of the Debenture, \$2,265,000 of the proceeds was used to repay earlier promissory notes. Fees of \$256,433, withheld from the proceeds, were capitalized and are being amortized over the life of the note.

During 2006, Highgate converted \$1,000,000 of Debenture principal and accrued interest into a total of 37,373,283 shares of common stock. During 2007, Highgate converted \$1,979,864 of Debenture principal and accrued interest into a total of 264,518,952 shares of common stock. During the year ended December 31, 2008, Highgate converted \$350,000 of debenture principle into a total of 36,085,960 shares of common stock. No Debenture principal or accrued interest was converted during the six months ending June 30, 2009.

YA Global December Debenture - In December 2005, we entered into an agreement with YA Global to issue a \$1,500,000, 5 percent Secured Convertible Debenture (the "December Debenture"). The December Debenture was originally due July 30, 2008, and has a security interest in all our assets, subordinate to the Highgate security interest. YA Global also agreed to extend the maturity date of the December Debenture to December 31, 2008.

Accrued interest is payable at the time of maturity or conversion. We may, at our option, elect to pay accrued interest in cash or shares of our common stock. If paid in stock, the conversion price shall be the closing bid price of the common stock on either the date the interest payment is due or the date on which the interest payment is made.

At any time, YA Global may elect to convert principal amounts owing on the December Debenture into shares of our common stock at a conversion price equal to an amount equal to the lowest closing bid price of our common stock for the twenty trading days immediately preceding the conversion date. We have the right to redeem a portion or the entire December Debenture then outstanding by paying 105 percent of the principal amount redeemed plus accrued interest thereon. The balance of accrued interest owed at June 30, 2009, was \$420,342.

YA Global's right to convert principal amounts of the December Debenture into shares of our common stock is limited as follows:

- (i) YA Global may convert up to \$250,000 worth of the principal amount plus accrued interest of the December Debenture in any consecutive 30-day period when the market price our stock is \$0.10 per share or less at the time of conversion;
- (ii) YA Global may convert up to \$500,000 worth of the principal amount plus accrued interest of the December Debenture in any consecutive 30-day period when the price of our stock is greater than \$0.10 per share at the time of conversion; provided, however, that YA Global may convert in excess of the foregoing amounts if we and YA Global mutually agree; and
- (iii) Upon the occurrence of an event of default, YA Global may, in its sole discretion, accelerate full repayment of the debenture outstanding and accrued interest thereon or may convert the December Debenture and accrued interest thereon into shares of our common stock.

Except in the event of default, YA Global may not convert the December Debenture for a number of shares that would result in YA Global owning more than 4.99 percent of our outstanding common stock.

The YA Global Debenture was issued with 10,000,000 warrants, with an exercise price of \$0.09 per share. The warrants vest immediately and have a three-year life. As a result of the May 2007 1.2-for-1 forward stock split, the effective number of vested warrants increased to 12,000,000. As of December 31, 2008, all 12,000,000 warrants had expired.

We also granted YA Global registration rights related to the shares of our common stock issuable upon the conversion of the December Debenture and the exercise of the warrants. As of the dates of this Report, no registration statement had been filed.

We determined that the conversion features on the December Debenture and the associated warrants fell under derivative accounting treatment. The carrying value was accreted over the life of the December Debenture until August 31, 2008, a former maturity date, at which time the principal value of the December Debenture reached \$1,500,000. The fair value of the derivative liability stemming from the December Debenture's conversion feature as of June 30, 2009, was \$0.

In connection with the issuance of the December Debenture, fees of \$130,000, withheld from the proceeds, were capitalized and are being amortized over the life of the December Debenture.

As of June 30, 2009, YA Global had not converted any of the December Debenture into shares of our common stock.

YA Global August Debenture - In August 2006, we entered into another agreement with YA Global relating to the issuance by the Company of another 5 percent Secured Convertible Debenture, due in April 2009, in the principal amount of \$1,500,000 (the "August Debenture").

Accrued interest is payable at the time of maturity or conversion. We may, at our option, elect to pay accrued interest in cash or shares of our common stock. If paid in stock, the conversion price shall be the closing bid price of the

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common stock on either the date the interest payment is due or the date on which the interest payment is made. The balance of accrued interest owed at June 30, 2009, was \$338,239.

YA Global is entitled to convert, at its option, all or part of the principal amount owing under the August Debenture into shares of our common stock at a conversion price equal 100 percent of the lowest closing bid price of our common stock for the twenty trading days immediately preceding the conversion date.

YA Global's right to convert principal amounts owing under the August Debenture into shares of our common stock is limited as follows:

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- (i) YA Global may convert up to \$500,000 worth of the principal amount plus accrued interest of the August Debenture in any consecutive 30-day period when the price of our stock is \$0.03 per share or less at the time of conversion;
- (ii) YA Global may convert any amount of the principal amount plus accrued interest of the August Debenture in any consecutive 30-day period when the price of our stock is greater than \$0.03 per share at the time of conversion; and
- (iii) Upon the occurrence of an Event of Default (as defined in the August Debenture), YA Global may, in its sole discretion, accelerate full repayment of all debentures outstanding and accrued interest thereon or may, notwithstanding any limitations contained in the August Debenture and/or the Purchase Agreement, convert all debentures outstanding and accrued interest thereon in to shares of our common stock pursuant to the August Debenture.

Except in the event of default, YA Global may not convert the August Debenture for a number of shares of common stock that would cause the aggregate number of shares of Common Stock beneficially owned by Cornell and its affiliates to exceed 4.99 percent of the outstanding shares of the common stock following such conversion.

In connection with the August Purchase Agreement, we also agreed to grant to YA Global warrants (the "Warrants") to purchase up to an additional 15,000,000 shares of our common stock. The Warrants have an exercise price of \$0.06 per share, and expire three years from the date of issuance. The Warrants also provide for cashless exercise if at the time of exercise there is not an effective registration statement or if an event of default has occurred. As a result of the May 2007 1.2-for1 forward stock split, the effective number of outstanding warrants increased to 18,000,000.

In connection with the issuance of the August Debenture, we also granted YA Global registration rights related to the common stock issuable upon conversion of the August Debenture and the exercise of the Warrants. As of the date of this Report, no registration statement had been filed.

We determined that the conversion features on the August Debenture and the associated warrants fell under derivative accounting treatment. The carrying value will be accreted each quarter over the life of the August Debenture until the carrying value equals the face value of \$1,500,000. During the year ended December 31, 2008 YA Global chose to convert \$341,160 of the convertible debenture into 139,136,360 shares of common stock. During the six months ended June 30, 2009 YA Global chose to convert \$117,622 of the convertible debenture

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into 72,710,337 shares of common stock. As of June 30, 2009 the carrying value of the August Debenture was \$1,041,218. The fair value of the derivative liability stemming from the August Debenture's conversion feature as of June 30, 2009, was \$0.

In connection with the issuance of the August Debenture, fees of \$135,000, withheld from the proceeds, were capitalized and are being amortized over the life of the August Debenture.

We currently have issued and outstanding options, warrants, convertible notes and other instruments for the acquisition of our common stock in excess of the available authorized but unissued shares of common stock provided for under our Articles of Incorporation, as amended. As a consequence, in the event that the holders of such instruments requiring the issuance, in the aggregate, of a number of shares of common stock that would, when combined with the previously issued and outstanding common stock of the Company exceed the authorized capital of the Company, seek to exercise their rights to acquire shares under those instruments, we will be required to increase the number of authorized shares or effect a reverse split of the outstanding shares in order to provide sufficient shares for issuance under those instruments.

Forbearance Agreement

On August 11, 2009, the Company and YA Global entered into a forbearance agreement and related agreements. The Forbearance Agreement related specifically to the three debentures issued by the Company to YA or its predecessor entities: a May 26, 2005, debenture in the principal amount of \$3,750,000 (the "May Debenture"), a December 30, 2005, debenture in the principal amount of \$1,500,000 (the "December Debenture"), and an August 23, 2006, debenture in the principal amount of \$1,500,000 (the "August Debenture," and collectively with the May Debenture and the December Debentures, the "Debentures"), together with certain other agreements entered into in connection with the issuance of the Debentures (collectively, the "Financing Documents").

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The Forbearance Agreement notes that the Company had requested that YA forbear from enforcing its rights and remedies under the Financing Documents, and sets forth the agreement between the Company and YA with respect to such forbearance.

Specifically, the Company agreed to waive any claims against YA, and released any such claims the Company may have had. The Company also ratified its obligations under the Financing Documents; agreed to the satisfaction of certain conditions precedent, including the entry into a Global Security Agreement (discussed below), a Global Guaranty Agreement (discussed below), and an amendment of a warrant granted to YA in connection with the issuance of the August Debenture; agreed to seek to obtain waivers from the Company's landlords at its properties in Utah, California, and Arkansas; agreed to seek to obtain deposit account control agreements from the Company's banks and depository institutions; and to repay the Company's obligations under the Debentures on the following schedule:

- i. \$125,000 on August 11, 2009 (at the time of signing of this Agreement);
- ii. \$150,000 on September 1, 2009;
- iii. \$150,000 on October 1, 2009;
- iv. \$200,000 on November 1, 2009;
- v. \$200,000 on December 1, 2009;
- vi. \$250,000 on January 1, 2010;
- vii. \$250,000 on February 1, 2010;

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- viii. \$300,000 on March 1, 2010;
- ix. \$300,000 on April 1, 2010;
- x. \$300,000 on May 1, 2010;
- xi. \$300,000 on June 1, 2010;
- xii. \$300,000 on July 1, 2010; and
- xiii. the remaining balance of the Obligations shall be paid in full in good and collected funds by federal funds wire transfer on or before the earlier of (i) the occurrence of a Termination Event (as defined below), or (ii) 3:00 P.M. (New York Time) on July 1, 2010 (hereinafter, the "Termination Date").

Pursuant to the Forbearance Agreement, the parties agreed that the Company, subject to the consent of YA, may choose to pay all or any portion of the payments listed above in common stock, with the conversion price to be used to determine the number of shares of common stock being equal to 85% of the lowest closing bid price of the Company's common stock during the ten trading days prior to the payment date.

In exchange for the satisfaction of such conditions and agreements from the Company, YA agreed to forbear from enforcing its rights and remedies as a result of the existing defaults and/or converting the Debentures into shares of the Company's common stock, until the earlier of (i) the occurrence of a Termination Event (as defined in the Forbearance Agreement), or (ii) the Termination Date, which is given as July 1, 2010. Notwithstanding the foregoing, nothing contained in the Forbearance Agreement or the other Forbearance Documents will be deemed to constitute a waiver by YA of any default or event of default, whether now existing or hereafter arising (including, without limitation, the existing defaults listed in the Forbearance Agreement), and/or its right to convert the Debentures into shares of the Company's common stock.

The Company, YA, and certain of the Company's subsidiaries also entered into a Global Security Agreement (the "GSA") in connection with the Forbearance Agreement. Under the GSA, the Company and the participating subsidiaries pledged and granted to YA, its successors and assigns, a security interest in and to all assets and personal property of each Grantor, as security for the payment or performance in full of the obligations set forth in the Forbearance Agreement.

Additionally, the Company, YA, and certain of the Company's subsidiaries also entered into a Global Guaranty Agreement (the "GGA") in connection with the Forbearance Agreement. Under the GGA, the Company and the participating subsidiaries guaranteed to YA the full payment and prompt performance of all of the obligations set forth in the Forbearance Agreement.

The Forbearance Agreement, the GSA, and the GGA are all described in more detail in, and copies of the agreements are included as exhibits to, a Current Report, filed with the Commission on August 17, 2009.

Critical accounting estimates

Revenue Recognition - Revenue is recognized when products are shipped. Title passes to the customer or independent sales representative at the time of shipment. Returns for defective items are repaired and sent back to the customer. Historically, expenses associated with returns have not been significant and have been recognized as incurred.

Shipping and handling fees are included as part of net sales. The related freight costs and supplies directly associated with shipping products to

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customers are included as a component of cost of goods sold.

We have also recorded revenue using a "Bill and Hold" method of revenue recognition. The SEC, in Staff Accounting Bulletin No. 104, imposes several requirements to be met in order to recognize revenue prior to shipment of product.

The SEC's criteria are the following:

- i. The risks of ownership must have passed to the buyer;
- ii. The customer must have made a fixed commitment to purchase the goods, preferably in written documentation;
- iii. The buyer, not the seller, must request that the transaction be on a bill and hold basis. The buyer must have a substantial business purpose for ordering the goods on a bill and hold basis;
- iv. There must be a fixed schedule for delivery of the goods. The date for delivery must be reasonable and must be consistent with the buyer's business purpose (e.g., storage periods are customary in the industry);
- v. The seller must not have retained any specific performance obligations such that the earning process is not complete;
- vi. The ordered goods must have been segregated from the seller's inventory and not be subject to being used to fill other orders; and
- vii. The equipment (product) must be complete and ready for shipment.

In effect, we secure a contractual agreement from the customer to purchase a specific quantity of goods, and the goods are produced and segregated from our inventory. Shipment of the product is scheduled for release over a specified period of time. The result is that we maintain the customer's inventory, on site, until all releases have been issued.

Agency fees were recognized when they were earned. This occurred only after the talent, represented by us, received payment for the services from the buyer. The buyer remitted funds to a trust checking account after all payroll tax liabilities had been deducted from the gross amount due the talent. The talent was paid the net amount, less our commission (which is approximately 10 percent of the gross amount due the talent), from the trust account. The remainder of funds in the trust account, typically 10 percent, was then distributed us and recognized as revenue.

We signed an Assignment and Exclusive Services Agreement with GMA, a related party, whereby revenues and all associated performance obligations under GMA's web-hosting and training contracts were assigned to us. Accordingly, this revenue is recognized in our financial statements when it is collected, along with our revenue of CirTran Online Corporation.

We have entered into a Manufacturing, Marketing and Distribution Agreement with PlayBev, a related party, whereby we are the vendor of record in providing initial development, promotional, marketing, and distribution services marketing and distribution services. Accordingly, all amounts billed to PlayBev in connection with the development and marketing of its new energy drink have been included in revenue.

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Impairment of Long-Lived Assets - We review our long-lived assets, including intangibles, for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. At each balance sheet date, we evaluate whether events and circumstances have occurred that indicate possible impairment. We use an estimate of future undiscounted net cash flows from the related asset or group of assets over their remaining life in measuring whether the assets are recoverable. As of December 31, 2008, it was determined that the Company's investment in Diverse Talent Group was impaired, and the company recorded a loss on investment in the amount of \$1,068,000. Long-lived asset costs are amortized over the estimated useful life of the asset, which is typically 5 to 7 years. Amortization expense for the three and six months ended June 30, 2009 was \$113,780 and \$224,894, respectively. Amortization expense was \$105,540 and \$211,297 for the three and six months ended June 30, 2008, respectively.

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Financial Instruments with Derivative Features - We do not hold or issue derivative instruments for trading purposes. However, we have financial instruments that are considered derivatives, or contain embedded features subject to derivative accounting. Embedded derivatives are valued separate from the host instrument and are recognized as derivative liabilities in our balance sheet. We measure these instruments at their estimated fair value, and recognize changes in their estimated fair value in results of operations during the period of change. We have estimated the fair value of these embedded derivatives using the Black-Scholes model. The fair value of the derivative instruments are measured each quarter.

Registration Payment Arrangements - On January 1, 2007, we adopted Financial Accounting Standards Board ("FASB") Emerging Issues Task Force ("EITF") Issue No. 00-19-2, Accounting for Registration Payment Arrangements ("EITF 00-19-2"). Under EITF 00-19-2, and SFAS No. 5, Accounting for Contingencies, a registration payment arrangement is an arrangement where (a) we have agreed to file a registration statement for certain securities with the SEC and have the registration statement declared effective within a certain time period; and/or (b) we will endeavor to keep a registration statement effective for a specified period of time; and (c) transfer of consideration is required if we fail to meet those requirements. When we issue an instrument coupled with these registration payment requirements, we estimate the amount of consideration likely to be paid under the agreement, and offset such amount against the proceeds of the instrument issued. The estimate is then reevaluated at the end of each reporting period, and any changes recognized as a registration penalty in the results of operations. We have instruments that contain registration payment arrangements. The effect of implementing this EITF has not had a material effect on the financial statements because we consider the probability of payment under the terms of the agreements to be remote.

Accounting for Sale / Leaseback Transactions - We sold our Salt Lake City, Utah, building in a sale/leaseback transaction, and reported the gain on the sale as deferred revenue to be recognized over the term of lease pursuant to Statement of Financial Accounting Standards ("SFAS") No. 13, Accounting for Leases.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is limited to interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. Our cash equivalents are invested with high quality issuers and limit the amount of credit exposure to any one issuer. Due to the short-term nature of the cash equivalents, we believe that we are not subject to any material interest rate risk as it relates to interest income. All outstanding debt instruments at June

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30, 2009, had fixed interest rates and were therefore not subject to interest rate risk.

We did not have any foreign currency hedges or other derivative financial instruments as of June 30, 2009. We do not enter into financial instruments for trading or speculative purposes and do not utilize derivative financial instruments. Our operations are conducted in the United States and as such are not subject to foreign currency exchange rate risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer / Chief Financial Officer, as appropriate, to allow timely decisions regarding any required disclosure. In designing and evaluating these disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

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As of the end of the period covered by this report, our Chief Executive Officer / Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on this evaluation, the Chief Executive Officer / Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurance as of June 30, 2009.

Changes in Internal Control Over Financial Reporting

During the three and six months June 30, 2009, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

CirTran Asia, et al. v. International Edge, et al., Civil No. 2:05 CV 413BSJ, U.S. District Court, District of Utah. On May 11, 2005, CirTran Asia, UKing System Industry Co., Ltd. ("UKing") and Charles Ho ("Ho") filed suit against International Edge, Inc. ("IE"), Michael Casey Enterprises, Inc. ("MCE"), Michael Casey ("Casey"), David Hayek ("Hayek"), and HIPMG, Inc. ("HIPMG"), for breach of contract, breach of the implied covenant of good faith and fair dealing, interference with economic relationships, fraud, and breach of provisions of Utah and New Jersey statutes in relation to certain licensing issues relating to the Ab King Pro. IE, MCE and Casey counterclaimed, alleging breach of contract, fraud, defamation and related claims.

As of the date of this filing, all remaining claims and counterclaims had been resolved. A stipulated motion to dismiss was filed by the parties and signed by

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the Court on May 15, 2009, dismissing the matter.

CirTran Corporation vs. Advanced Beauty Solutions, LLC, and Jason Dodo, Civil No. 060900332, Third Judicial District Court, Salt Lake County, State of Utah. On January 9, 2006, we brought suit against Advanced Beauty Solutions ("ABS") and Jason Dodo, asserting claims related to exclusive manufacturing agreements with ABS, including breach of contract, breach of the implied covenant of good faith and fair dealing, interference with economic relations, fraud, and unjust enrichment.

On January 24, 2006, ABS filed a voluntary petition for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, San Fernando Valley Division (the "ABS Bankruptcy Court"), Case No. SV 06-10076 GM. On January 30, 2006, a hearing ("Hearing") was held to consider the Emergency Motion for Order Approving the Settlement and Compromise of the Disputed Secured Claims of Inventory Capital Group, Inc. ("ICG"), and Media Funding Corporation ("MFC") (the "Settlement Motion") filed by ABS. The continued Hearing on the Settlement Motion was held on February 16, 2006, at which time the settlement was modified. Prior to a separate hearing held on March 24, 2006, on ABS's Motion for Order: (1) Approving Sale and Assignment of Substantially All Assets of the Estate Free and Clear of Liens; (2) Approving Assumption and Assignment of Leases and Executory Contracts Included in the Sale and Rejection of Leases and Executory Contracts Not Included in the Sale; and (3) Granting Related Relief (the "Sale Motion"), the settlement was further modified. The modifications to the proposed settlement were read into the ABS Bankruptcy Court's record at the Hearing on the Settlement Motion and the March 24, 2006 hearing on the Sale Motion ("Proposed Modifications"). Written notice of the Proposed Modifications was provided to creditors and parties in interests on March 27, 2006, and the Declaration of James C. Bastian, Jr., attesting that no objections to the Proposed Modifications have been received by ABS, was filed with the ABS Bankruptcy Court.

On June 6, 2006, the Company and ABS signed an agreement (the "Asset Purchase Agreement"), subject to the ABS Bankruptcy Court's approval. On June 7, 2006, the ABS Bankruptcy Court entered orders approving the Asset Purchase Agreement and granting the Sale Motion, and approving the settlement and compromise of certain disputed claims against ABS.

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Pursuant to the settlement of ABS's bankruptcy proceedings and the Asset Purchase Agreement, we have an allowed claim against the ABS's estate in the amount of \$2,350,000, of which \$750,000 is to be credited to the purchase of substantially all of ABS's assets. Under the settlement, we may participate as a general unsecured creditor of ABS's estate in the amount of \$1,600,000 on a pari passu basis with the \$2,100,000 general unsecured claim of certain insiders of ABS and subject to the prior payment of certain secured, priority, and non-insider claims in the amount of approximately \$1,507,011.

Under the Asset Purchase Agreement, we agreed to purchase substantially all of ABS's assets in exchange for:

- i) a cash payment in the amount of \$1,125,000;
- ii) a reduction of CirTran's allowed claim in the Bankruptcy Case by \$750,000;
- iii) the assumption of any assumed liabilities; and

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- iv) the obligation to pay ABS a royalty equal to \$3.00 per True Ceramic Pro flat iron unit sold by ABS (the "Royalty Obligation").

The assets include personal property; intellectual property; certain executory contracts and unexpired leases; inventory; ABS's rights under certain insurance policies; deposits and prepaid expenses; books and records; goodwill; certain causes of action; permits; customer and supplier lists; and telephone numbers and listings.

Under the Asset Purchase Agreement, the Royalty Obligation is capped at \$4,135,000. To the extent the amounts paid to ABS on account of the Royalty Obligation equal less than \$435,000 on the two-year anniversary of the closing of the purchase, then, within 30 days of such anniversary, the Company has agreed to pay ABS an amount equal to \$435,000 less the royalty payments made to date. As part of the settlement, the Company also agreed to exchange general releases with, among others, ABS, Jason Dodo (the manager of ABS), ICG, and MFC. The settlement also resolved a related dispute with ICG in which ICG assigned to the Company \$65,000 of its secured claim against ABS.

Pursuant to the court-approved settlement, payments under the Royalty Obligation will be made in the following order:

- a) The Royalty Obligation payments will be made exclusively to ICG and MFC (collectively, the "Secured Parties") until (i) the Secured Parties have been paid in full on account of their \$1,243,208.44 secured claim, or (ii) the Secured Parties have been paid \$100,000 in payments under the Royalty Obligation, whichever comes first.
- b) The next \$70,000 Royalty Obligation payments will be made to a service provider to ABS (in the amount of \$50,000) and to an individual with an allowed claim (in the amount of \$20,000).
- c) Following the payments to the Secured Parties and others as set forth immediately above, the remaining Royalty Obligation payments will be used for distribution to allowed general unsecured claims not including those of the Company and certain insiders with unpaid notes (the "Insider Noteholders").
- d) Following payments as set forth in (a), (b), and (c) above, the Royalty Obligation payments will be shared pro rata among the Insider Noteholders (with a total allowed aggregate claim of \$2,100,000), and us (with a general unsecured claim in the amount of \$1,600,000), until paid in full.

The total claims against ABS's estate that must be recognized before we begin to share in the Royalty Obligation payments is \$435,000.

In a subsequent pleading, Mr. Dodo and ABS alleged that we had breached the settlement agreement. That claim has been settled. As of the date of this report, \$124,000 remains unpaid to ABS as part of the payment which the Company has agreed to pay ABS equal to \$435,000 less the royalty payments made to date. Management subsequently learned that ABS sought and obtained default judgment against the Company in California. Management believes the default judgment was wrongfully entered, and we intend to vigorously defend against the default. We have retained California counsel to assist in our efforts to set aside the default judgment.

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A&A Smart Shopping v. CirTran Beverage Corp., California Superior Court, Los Angeles County, KC054487. Plaintiff A&A Smart Shopping ("A&A") filed a complaint against CirTran Beverage Corporation ("CirTran Beverage") and John Does 1-100, claiming breach of contract and intentional interference with economic relations, based on a distribution agreement between A&A and CirTran Beverage. On February 9, 2009, CirTran Beverage filed its answer, claiming that A&A had materially breached the Distribution Agreement, and that CirTran Beverage had terminated the Distribution Agreement. The case is proceeding through discovery. CirTran Beverage intends to defend vigorously against all allegations in this matter.

Apex Maritime Co. (LAX), Inc. v. CirTran Corporation, CirTran Asia, Inc., et al., California Superior Court, Los Angeles County, SC098148. Plaintiff Apex Maritime Co. (LAX), Inc. ("Apex") filed a complaint on May 8, 2008, against the Company and CirTran Asia, the Company's subsidiary, claiming breach of contract, nonpayment on open book account, non-payment of an account stated, and non-payment for services, seeking approximately \$62,000 against the Company and \$121,000 against CirTran Asia. The Company and CirTran Asia answered on June 9, 2008. The parties subsequently entered into a Release and Settlement Agreement pursuant to which the Company and CirTran Asia agreed to pay an aggregate of \$195,000 in monthly payments. In the event of default under the Release and Settlement Agreement, the Plaintiffs could file a Stipulation for Entry of Judgment in the amount of \$195,000, minus any amounts paid under the Release and Settlement Agreement. On February 26, 2009, the Stipulation of Judgment was filed, granting the California court jurisdiction to enforce the Release and Settlement Agreement. On March 3, 2009, the court entered its judgment pursuant to the Release and Settlement Agreement. On April 23, 2009, a Judgment Enforcing Settlement was entered against CirTran Corporation and CirTran Asia, Inc., jointly and severally in the principal amount of \$173,000, plus fees of \$1,800 and costs of \$40.

Jimmy Esebag v. CirTran Beverage Corp., Fadi Nora, et al., California Superior Court, Los Angeles County, BC396162. On August 12, 2008, the plaintiff filed a complaint against CirTran Beverage and Mr. Nora bringing claims of breach of contract, fraud, and defamation (solely against Mr. Nora) alleging non-payment of a fee of \$1,000,000. The defendants filed their answer on October 2, 2008. The case is currently in the discovery phase. The defendants intend to defend vigorously against the allegations in this case.

Fortune Resources LLC v. CirTran Beverage Corp, Civil No. 090401259, Third Judicial District Court, Salt Lake County, State of Utah. On February 5, 2009, the plaintiff filed a complaint against CirTran Beverage, claiming non-payment for goods in the amount of \$121,135. CirTran Beverage filed its answer on March 10, 2009, denying the allegations in the Complaint. The case is presently in the discovery phase. CirTran Beverage intends to defend vigorously against the allegations in the Complaint.

Global Freight Forwarders v. CirTran Asia, Civil No. 080925731, Third Judicial District Court, Salt Lake County, State of Utah. On December 18, 2008, the plaintiff filed a complaint against CirTran Asia, claiming breach of contract, breach of the duty of good faith and fair dealing, and unjust enrichment, seeking approximately \$260,000. The Complaint was served on CirTran Asia on January 5, 2009. On February 12, 2009, CirTran Asia filed its answer. Thereafter, CirTran Asia filed an amended answer and counterclaim. The case is presently in the discovery phase. CirTran Asia intends to defend against the plaintiff's claims, and pursue its counterclaim.

Dr. Najib Bouz v. CirTran Beverage Corp, Iehab Hawatmeh and Does 1-20, Superior Court for the State of California, County of Los Angeles, Civil No. KC053818. On September 12, 2008, the plaintiff filed a complaint, seeking a judgment for

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\$52,500 plus attorneys' fees and certain costs, against CirTran Beverage, Iehab Hawatmeh and unnamed others, claiming breach of contract and fraud in connection with a certain promissory note. CirTran Beverage and Mr. Hawatmeh answered, denying liability. The case is presently in the discovery phase. The parties have engaged in settlement negotiations, and on August 11, 2009, participated in a mediation conference that resulted in the settlement of all outstanding claims and issues.

Dr. Paul Bouz v. CirTran Beverage Corp, Iehab Hawatmeh and Does 1-20, Superior Court for the State of California, County of Los Angeles, Civil No. KC053819. On September 12, 2008, the plaintiff filed a complaint, seeking a judgment for \$52,500 plus attorneys' fees and certain costs, against CirTran Beverage, Iehab Hawatmeh and unnamed others, claiming breach of contract and fraud in connection with a certain promissory note. CirTran Beverage and Mr. Hawatmeh answered, denying liability. The case is presently in the discovery phase. The parties have engaged in settlement negotiations, and on August 11, 2009, participated in a mediation conference that resulted in the settlement of all outstanding claims and issues.

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Pac Tech a Division of LaFrance Corporation v. CirTran Corporation, Civil No. 080422470, Third Judicial District Court, Salt Lake County, State of Utah. On December 3, 2008, the plaintiff served a complaint against CirTran Corporation, claiming non-payment for goods or services. Judgment was entered on March 4, 2009, in the amount of \$6,383, with accruing interest and costs. The parties settled this matter on June 1, 2009.

Talon Printing, Inc., v. CirTran Corporation, Civ No. 080422537 DC, Third Judicial District Court, West Jordan Dept., State of Utah. In this matter, judgment was entered against CirTran Corporation on or about January 15, 2009, in the amount of \$7,586.43. An order in Supplementary Proceedings was entered on April 14, 2009, ordering the president of CirTran to appear on May 22, 2009, for further proceedings. The parties settled this matter on June 18, 2009.

Schleuniger Inc., v. CirTran Corp., Civ. No. 090408568, Third Judicial District Court, West Jordan Dept., State of Utah. A summons and complaint were served on CirTran Corporation on or about April 28, 2009. The complaint alleges claims sounding in contract and requests damages in the amount of \$5,329.00 plus interest and attorneys' fees and costs. The parties settled this matter on July 20, 2009.

CL&D Graphics v. CirTran Beverage Corp., Case No. 09V01154, Circuit Ct, Waukesha County, Wisconsin. On or about March 23, 2009, CL&D filed an action in the above court, alleging claims for breach of contract, unjust enrichment, promissory estoppel, and seeking damages of at least \$25,488.66 along with attorneys' fees and costs. CirTran Beverage Corp is reviewing the matter and intends to defend vigorously against the allegations in the complaint.

Integrated Ideas & Technologies, Inc., v. CirTran Corporation, Civ No. 090407847, Third Judicial District Court, West Jordan Dept., State of Utah. On or about April 13, 2009, Integrated served CirTran Corporation with a summons and complaint, alleging claims sounding in contract and seeking damages in the amount of \$2,684 plus interest and costs. The parties settled this matter on June 18, 2009.

Jamie Jackson v. CirTran Corporation, Civ No. 090909208, Third Judicial District Court, State of Utah. The complaint alleges claims sounding in contract and seeking damages. On July 10, 2009, the Third District Court Clerk signed a Default Certificate. The plaintiff seeks default judgment in the total amount of

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\$14,941.80. The parties are engaged in settlement discussions.

Anixter Inc., /Wire & Cable v. CirTran Corporation, Civ No. 090409843, Third Judicial District Court, State of Utah. The complaint alleges claims sounding in contract for goods and or services supplied and seeking damages of approximately \$32,000.00. The parties have agreed to settle the case for \$16,000.00, subject to receipt of payment from the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the periods covered by this report, we issued shares of our common stock without registering those securities under the Securities Act of 1933, as amended ("Securities Act") as follows:

- o 65,088,757 shares for payment of \$110,000 of principal on the debenture to YA Global (see Note 8). Associated with the debenture conversion payment was a related decrease in the derivative liability of \$62,741.
- o 7,621,580 of common shares to YA Global for payment of \$7,622 of principal on the August Debenture.

The shares of common stock were issued without registration under the 1933 Act in reliance on Section 4(2) of the 1933 Act and the rules and regulations promulgated thereunder.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

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Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Document
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3.1	Articles of Incorporation (previously filed as Exhibit No. 2 to our Current Report on Form 8-K, filed with the Commission on July 17, 2000, and incorporated herein by reference).
3.2	Bylaws (previously filed as Exhibit No. 3 to our Current Report on Form 8-K, filed with the Commission on July 17, 2000, and incorporated herein by reference).
10.1	Securities Purchase Agreement between CirTran Corporation and Highgate House Funds, Ltd., dated as of May 26, 2005 (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on June 3, 2005, and incorporated herein by reference).
10.2	Form of 5 percent Convertible Debenture, due December 31, 2007, issued by CirTran Corporation (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the

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Commission on June 3, 2005, and incorporated herein by reference).

- 10.3 Investor Registration Rights Agreement between CirTran Corporation and Highgate House Funds, Ltd., dated as of May 26, 2005 (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on June 3, 2005, and incorporated herein by reference).
- 10.4 Security Agreement between CirTran Corporation and Highgate House Funds, Ltd., dated as of May 26, 2005 (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on June 3, 2005, and incorporated herein by reference).
- 10.5 Escrow Agreement between CirTran Corporation, Highgate House Funds, Ltd., and David Gonzalez dated as of May 26, 2005 (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on June 3, 2005, and incorporated herein by reference).
- 10.6 Settlement Agreement and Mutual Release between CirTran Corporation and Howard Salamon d/b/a/ Salamon Brothers, dated as of February 10, 2006
- 10.7 Settlement Agreement by and among Sunborne XII, LLC, CirTran Corporation, and others named therein, dated as of January 26, 2006
- 10.8 Employment Agreement with Richard Ferrone (previously filed as an exhibit to a Current Report on Form 8-K filed with the Commission on May 15, 2006, and incorporated here in by reference).
- 10.9 Marketing and Distribution Agree between CirTran Corporation and Harrington Business Development, Inc., dated as of October 24, 2005 (previously filed as an exhibit to the Company's Quarterly Report on Form 10-QSB filed with the Commission on May 19, 2006, and incorporated here in by reference).
- 10.10 Amendment to Marketing and Distribution Agree between CirTran Corporation and Harrington Business Development, Inc., dated as of March 31, 2006 (previously filed as an exhibit to the Company's Quarterly Report on Form 10-QSB filed with the Commission on May 19, 2006, and incorporated here in by reference).
- 10.11 Amendment No. 1 to Investor Registration Rights Agreement, between CirTran Corporation and Highgate House Funds, Ltd., dated as of June 15, 2006.
- 10.12 Amendment No. 1 to Investor Registration Rights Agreement, between CirTran Corporation and Cornell Capital Partners, LP, dated as of June 15, 2006.
- 10.13 Assignment and Exclusive Services Agreement, dated as of April 1, 2006, by and among Diverse Talent Group, Inc., Christopher

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Nassif, and Diverse Media Group Corp. (a wholly owned subsidiary of Cirtran Corporation).

- 10.14 Employment Agreement between Christopher Nassif and Diverse Media Group Corp., dated as of April 1, 2006 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2006, and incorporated here in by reference).
- 10.15 Loan Agreement dated as of May 24, 2006, by and among Diverse Talent Group, Inc., Christopher Nassif, and Diverse Media Group Corp (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2006, and incorporated here in by reference).
- 10.16 Promissory Note, dated May 24, 2006 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2006, and incorporated here in by reference).
- 10.17 Security Agreement, dated as of May 24, 2006, by and between Diverse Talent Group, Inc., and Diverse Media Group Corp. (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2006, and incorporated here in by reference).
- 10.18 Fraudulent Transaction Guarantee, dated as of May 24, 2006 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2006, and incorporated here in by reference).
- 10.19 Securities Purchase Agreement between CirTran Corporation and ANAHOP, Inc., dated as of May 24, 2006 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on May 30, 2006, and incorporated here in by reference).
- 10.20 Warrant for 10,000,000 shares of CirTran Common Stock, exercisable at \$0.15, issued to Albert Hagar (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on May 30, 2006, and incorporated here in by reference).
- 10.21 Warrant for 5,000,000 shares of CirTran Common Stock, exercisable at \$0.15, issued to Fadi Nora (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on May 30, 2006, and incorporated here in by reference).
- 10.22 Warrant for 5,000,000 shares of CirTran Common Stock, exercisable at \$0.25, issued to Fadi Nora (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on May 30, 2006, and incorporated here in by reference).
- 10.23 Warrant for 10,000,000 shares of CirTran Common Stock, exercisable at \$0.50, issued to Albert Hagar (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on May 30, 2006, and incorporated here in by reference).
- 10.24 Asset Purchase Agreement, dated as of June 6, 2006, by and

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between Advanced Beauty Solutions, LLC, and CirTran Corporation (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 13, 2006, and incorporated here in by reference).

10.25 Securities Purchase Agreement between CirTran Corporation and ANAHOP, Inc., dated as of June 30, 2006 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 6, 2006, and incorporated here in by reference).

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10.26 Warrant for 20,000,000 shares of CirTran Common Stock, exercisable at \$0.15, issued to Albert Hagar (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 6, 2006, and incorporated here in by reference).

10.27 Warrant for 10,000,000 shares of CirTran Common Stock, exercisable at \$0.15, issued to Fadi Nora (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 6, 2006, and incorporated here in by reference).

10.28 Warrant for 10,000,000 shares of CirTran Common Stock, exercisable at \$0.25, issued to Fadi Nora (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 6, 2006, and incorporated here in by reference).

10.29 Warrant for 23,000,000 shares of CirTran Common Stock, exercisable at \$0.50, issued to Albert Hagar (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 6, 2006, and incorporated here in by reference).

10.30 Marketing and Distribution Agreement, dated as of April 24, 2006, by and between Media Syndication Global, LLC, and CirTran Corporation (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 10, 2006, and incorporated here in by reference).

10.31 Lockdown Agreement by and between CirTran Corporation and Cornell Capital Partners, LP, dated as of July 20, 2006 (previously filed as an exhibit to the Company's Registration Statement on Form SB-2/A (File No. 333-128549) filed with the Commission on July 27, 2006, and incorporated herein by reference).

10.32 Lockdown Agreement by and among CirTran Corporation and ANAHOP, Inc., Albert Hagar, and Fadi Nora, dated as of July 20, 2006 (previously filed as an exhibit to the Company's Registration Statement on Form SB-2/A (File No. 333-128549) filed with the Commission on July 27, 2006, and incorporated herein by reference).

10.33 Talent Agreement between CirTran Corporation and Holyfield Management, Inc., dated as of March 8, 2006 (previously filed as an exhibit to the Company's Registration Statement on Form SB-2/A (File No. 333-128549) filed with the Commission on July

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27, 2006, and incorporated herein by reference).

- 10.34 Amendment No. 2 to Investor Registration Rights Agreement, between CirTran Corporation and Highgate House Funds, Ltd., dated as of August 10, 2006 (filed as an exhibit to Registration Statement on Form SB-2 (File No. 333-128549) and incorporated herein by reference).
- 10.35 Amendment No. 2 to Investor Registration Rights Agreement, between CirTran Corporation and Cornell Capital Partners, LP, dated as of August 10, 2006 (filed as an exhibit to Registration Statement on Form SB-2 (File No. 333-128549) and incorporated herein by reference).
- 10.36 Amended Lock Down Agreement by and among the Company and ANAHOP, Inc., Albert Hagar, and Fadi Nora, dated as of November 15, 2006 (filed as an exhibit to the Company's Quarterly Report for the quarter ended September 30, 2006, filed with the Commission on November 20, 2006, and incorporated herein by reference).
- 10.37 Amended Lock Down Agreement by and between the Company and Cornell Capital Partners, L.P., dated as of October 30, 2006 (filed as an exhibit to the Company's Quarterly Report for the quarter ended September 30, 2006, filed with the Commission on November 20, 2006, and incorporated herein by reference).
- 10.38 Amendment to Debenture and Registration Rights Agreement between the Company and Cornell Capital Partners, L.P., dated as of October 30, 2006 (filed as an exhibit to the Company's Quarterly Report for the quarter ended September 30, 2006, filed with the Commission on November 20, 2006, and incorporated herein by reference).
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- 10.39 Amendment Number 2 to Amended and Restated Investor Registration Rights Agreement, between CirTran Corporation and Cornell Capital Partners, LP, dated January 12, 2007 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on January 19, 2007, and incorporated here in by reference).
- 10.40 Amendment Number 4 to Investor Registration Rights Agreement, between CirTran Corporation and Cornell Capital Partners, LP, dated January 12, 2007 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on January 19, 2007, and incorporated here in by reference).
- 10.41 Licensing and Marketing Agreement with Arrowhead Industries, Inc. dated February 13, 2007 (previously filed as an exhibit to the Company's Annual Report for the year ended December 31, 2006, filed with the Commission on April 17, 2007, and incorporated herein by reference).
- 10.42 Amendment to Employment Agreement for Iehab Hawatmeh, dated January 1, 2007 (previously filed as an exhibit to the Company's Annual Report for the year ended December 31, 2006, filed with the Commission on April 17, 2007, and incorporated herein by reference)

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- 10.43 Amendment to Employment Agreement for Shaher Hawatmeh, dated January 1, 2007 (previously filed as an exhibit to the Company's Annual Report for the year ended December 31, 2006, filed with the Commission on April 17, 2007, and incorporated herein by reference)
- 10.44 Amendment to Employment Agreement for Trevor Siliba, dated January 1, 2007 (previously filed as an exhibit to the Company's Annual Report for the year ended December 31, 2006, filed with the Commission on April 17, 2007, and incorporated herein by reference)
- 10.45 Amendment to Employment Agreement for Richard Ferrone dated February 7, 2007 (previously filed as an exhibit to the Company's Annual Report for the year ended December 31, 2006, filed with the Commission on April 17, 2007, and incorporated herein by reference).
- 10.46 Assignment and Exclusive Services Agreement with Global Marketing Alliance, LLC, dated April 16, 2007 (previously filed as an exhibit to the Company's' Current Report on Form 8-K filed with the Commission on April 20, 2007, and incorporated herein by reference).
- 10.47 Employment Agreement for Mr. Sovatphone Ouk dated April 16, 2007 (previously filed as an exhibit to the Company's' Current Report on Form 8-K filed with the Commission on April 20, 2007, and incorporated herein by reference).
- 10.48 Triple Net Lease between CirTran Corporation and Don L. Buehner, dated as of May 4, 2007 (previously filed as an exhibit to the Company's' Current Report on Form 8-K filed with the Commission on May 10, 2007, and incorporated herein by reference).
- 10.49 Commercial Real Estate Purchase Contract between Don L. Buehner and PFE Properties, L.L.C., dated as of May 4, 2007 (previously filed as an exhibit to the Company's' Current Report on Form 8-K filed with the Commission on May 10, 2007, and incorporated herein by reference).
- 10.50 Exclusive Manufacturing, Marketing, and Distribution Agreement, dated as of May 25, 2007 (previously filed as an exhibit to the Company's' Current Report on Form 8-K filed with the Commission on June 1, 2007, and incorporated herein by reference).
- 10.51 Exclusive Manufacturing, Marketing, and Distribution Agreement, with Full Moon Enterprises, Inc. dated as of June 8, 2007, pertaining to the Ball Blaster(TM) (previously filed as an exhibit to the Company's' Quarterly Report on Form 10-QSB filed with the Commission on August 20, 2007, and incorporated herein by reference).
- 10.52 Amended and Restated Exclusive Manufacturing, Marketing, and Distribution Agreement, dated as of August 21, 2007 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on September 24, 2007, and incorporated herein by reference).

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- 10.53 Exclusive Sales Distribution/Representative Agreement, dated as of August 23, 2007 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on September 24, 2007, and incorporated herein by reference).
- 10.54 Settlement Agreement between CirTran Corporation and Trevor M. Saliba, dated as of August 15, 2007 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on September 24, 2007, and incorporated herein by reference).
- 10.55 Exclusive Manufacturing, Marketing and Distribution Agreement between CirTran Corporation and Shaka Shoes, Inc., a Hawaii corporation (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on February 11, 2008, and incorporated herein by reference).
- 10.56 Amendment Number 3 to Amended and Restated Investor Registration Rights Agreement, between CirTran Corporation and YA Global Investments, L.P. (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on February 12, 2008, and incorporated herein by reference).
- 10.57 Amendment Number 6 to Investor Registration Rights Agreement, between CirTran Corporation and YA Global Investments, L.P. (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on February 12, 2008, and incorporated herein by reference).
- 10.58 Agreement between and among CirTran Corporation, YA Global Investments, L.P., and Highgate House Funds, LTD (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on February 12, 2008, and incorporated herein by reference).
- 10.59 Promissory Note (previously filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on March 5, 2008, and incorporated herein by reference).
- 10.60 Form of Warrant (previously filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on March 5, 2008, and incorporated herein by reference).
- 10.61 Subscription Agreement between the Company and Haya Enterprises, LLC (previously filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on March 5, 2008, and incorporated herein by reference).
- 10.62 Forbearance Agreement between CirTran Corporation and YA Global Investments (previously filed as an exhibit to a Current Report on Form 8-K, filed with the Commission on August 17, 2009, and incorporated herein by reference).
- 10.63 Stock Purchase Agreement between CirTran Corporation and Iehab Hawatmeh.
- 10.64 Stock Purchase Agreement between CirTran Corporation and Fadi Nora.

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- 31 Certification of President / Chief Financial Officer
- 32 Certification pursuant to 18 U.S.C. Section 1350 - President /
Chief Financial Officer

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SIGNATURES

In accordance with Section 13 or 15 (d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the understood thereunto duly authorized.

CIRTRAN CORPORATION

/s/ Iehab Hawatmeh

Dated: August 19, 2009

By: Iehab Hawatmeh
President, Chief Financial Officer
(Principal Executive Officer, Principal
Financial Officer)

In accordance with the Exchange Act, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Iehab Hawatmeh

Dated: August 19, 2009

By: Iehab Hawatmeh
President, Chief Financial Officer,
Principal Executive Officer, Principal
Financial Officer and Director

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