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CIRTRAN CORP
Form 10-Q
May 20, 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 March 31, 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

(Address of principal executive offices)

84128

(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 May 11, 2009, was 1,499,999,997 shares.

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CIRTRAN CORPORATION FORM 10-Q

For the Quarterly Period Ended March 31, 2009

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CIRTRAN CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31, December 31,

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	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,317	\$ 8,701
Trade accounts receivable, net of allowance for doubtful accounts of \$108,162 and \$108,162, respectively	685,355	591,441
Receivable due from related party	5,067,667	4,718,843
Inventory, net of reserve of \$1,028,957 and \$1,028,957, respectively	1,537,030	1,451,275
Prepaid deposits	167,942	164,556
Other	371,810	305,037
Total current assets	7,839,121	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	718,160	773,591
Intellectual property, net	1,760,039	1,871,153
Other assets, net	19,025	19,025
Total assets	\$ 13,489,428	\$ 13,069,179
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Checks written in excess of bank balance	\$ 212,704	\$ 133,391
Accounts payable	2,609,614	2,215,171
Short term advances payable	957,529	747,329
Accrued liabilities	2,897,490	2,207,580
Deferred revenue	518,726	587,052
Derivative liability	1,926,744	705,477
Convertible debenture	3,148,712	3,162,650
Current portion of refundable customer deposits	712,000	-
Current maturities of long-term debt	1,638,688	1,494,969
Note payable to stockholders	225,226	230,447
Total current liabilities	14,847,433	11,484,066
Refundable customer deposits	873,000	1,688,080
Long-term debt, less current maturities	211,985	269,625
Total liabilities	15,932,418	13,441,771
Stockholders' deficit		
CirTran Corporation stockholders' deficit:		
Common stock, par value \$0.001; authorized 1,500,000,000 shares; issued and outstanding shares: 1,491,351,343 and 1,426,262,586	1,491,346	1,426,257
Additional paid-in capital	29,084,405	28,970,335
Subscription receivable	(17,000)	(17,000)

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Accumulated deficit	(35,574,972)	(33,325,415)

Total CirTran Corporation stockholders' deficit	(5,016,221)	(2,945,823)
Noncontrolling interest	2,573,231	2,573,231

Total stockholder's deficit	(2,442,990)	(372,592)

Total liabilities and stockholders' deficit	\$ 13,489,428	\$ 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)

For the Three Months Ended March 31,	2009	2008

Net sales	\$ 1,922,382	\$ 2,860,463
Cost of sales	1,403,457	2,102,431
Royalties expense	147,189	6,350

Gross profit	371,736	751,682

Operating expenses		
Selling, general and administrative expenses	1,149,982	1,456,806
Non-cash compensation expense	996	91,347

Total operating expenses	1,150,978	1,548,153

Loss from operations	(779,242)	(796,471)

Other income (expense)		
Interest expense	(326,566)	(478,632)
Interest income	124,590	4,522
Gain on sale/leaseback	20,268	20,775
Gain on settlement of litigation	-	300,000
Gain (loss) on derivative valuation	(1,288,607)	882,187

Total other expense, net	(1,470,315)	728,852

Net loss	\$ (2,249,557)	\$ (67,619)

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

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Basic and diluted weighted-average common shares outstanding	1,466,039,049	1,112,189,352
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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

For the Three Months Ended March 31,	2009	2008
Cash flows from operating activities		
Net loss	\$ (2,249,557)	\$ (67,619)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	166,544	160,872
Accretion expense	177,531	312,441
Provision for doubtful accounts	-	9,558
Provision for obsolete inventory	-	9,135
Gain on sale - leaseback	20,000	(20,775)
Non-cash compensation expense	996	91,347
Loan costs and interest withheld from loan proceeds	12,474	24,222
Options issued to attorneys for services	822	130,000
Change in valuation of derivative	1,288,607	(882,187)
Changes in assets and liabilities:		
Trade accounts receivable	(107,781)	(612,901)
Related party receivable	(348,823)	-
Inventories	(85,755)	(218,713)
Prepaid expenses and deposits	(106,466)	(23,667)
Other current assets	(52,906)	(121,933)
Accounts payable	394,442	678,252
Accrued liabilities	669,910	352,921
Deferred revenue	(68,326)	39,934
Net cash used in operating activities	(288,288)	(139,113)
Cash flows from investing activities		
Intangibles purchased with cash	-	(50,246)
Purchase of property and equipment	-	(9,333)
Net cash used in investing activities	-	(59,579)
Cash flows from financing activities		
Proceeds from notes payable to related party	4,612	800,000
Payments on notes payable to related party	(5,221)	(3,064)
Proceeds from stock issued in private placement	-	204,000
Principal payments on long-term debt	-	(75,000)
Checks written in excess of long-term debt	79,313	-

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Net borrowings in connection with short-term advances	210,200	-

Net cash provided by financing activities	288,904	925,936

Net decrease in cash and cash equivalents	616	727,244
Cash and cash equivalents at beginning of year	8,701	82,761

Cash and cash equivalents at end of period	\$ 9,317	\$ 810,005

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 Three Months Ended March 31,	2009	2008

Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ -	\$ 15,277
Noncash investing and financing activities:		
Stock issued in payment of notes payable and accrued interest	\$ 110,000	\$ 100,000
Warrants issued with derivative liability features	-	700,000
Exchange AfterBev membership interest for distribution payable	-	863,973

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

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and companies over which the Company exercises control through majority voting 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 months ended March 31, 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 March 31, 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 Company's president and one of the directors of the Company own membership interests in PlayBev totaling 22.35 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 March 31, 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 5 to 7 years. Amortization expense was \$111,114 and \$105,757 for the three months ended March 31, 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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Loss Per Share - Basic loss per share is calculated by dividing net 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 64,863,976 and 592,573,600 in potentially issuable common shares at March 31, 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. Early adoption is prohibited. 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

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defines collaborative arrangements and establishes reporting requirements for 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.

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

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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.

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.

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However, the Company sustained losses of \$2,249,557 and \$67,619 for the three months ended March 31, 2009 and 2008, respectively. As of March 31, 2009, the Company had an accumulated deficit of \$35,574,972. In addition, the Company used cash in its operations in the amount of \$288,288 and \$139,113 during the quarters ended March 31, 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:

	March 31, 2009	December 31, 2008
Raw materials	\$ 1,665,664	\$ 1,625,321
Work in process	246,836	221,079
Finished goods	653,488	633,832
Allowance / reserve	(1,028,958)	(1,028,957)
Totals	\$ 1,537,030	\$ 1,451,275

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NOTE 4 - INTELLECTUAL PROPERTY

Intellectual property and estimated service lives consisted of the following:

	March 31, 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	

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Less accumulated amortization	(1,175,051)	(1,063,937)
Intellectual property, net	\$ 1,760,039	\$ 1,871,153

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

Year Ending December 31,		
2009	\$	394,146
2010		525,528
2011		421,754
2012		238,494
2013		166,602
Thereafter		306,346
Total	\$	2,052,870

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.

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 an aggregate of \$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. During 2007 and 2008, the two affiliates personally purchased membership interests from PlayBev directly and from other Playbev members constituting an additional 11.1 percent, which aggregated 22.35 percent. Despite the combined 78.5 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 \$147,189 and \$6,350 in royalty expenses due to PlayBev during the three months ended March 31, 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 \$371,133 and \$702,894 for the three months ending March 31, 2009 and 2008, respectively, which have been included in revenues for the Company's marketing and media segment. As of March 31, 2009, the interest accrued on the balance owing from PlayBev totaled \$342,022. The net amount due the Company from PlayBev for marketing and development services, after netting the royalty owed to PlayBev, totaled \$5,067,667 at March 31, 2009.

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.

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

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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,

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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. As of March 31, 2009, the Company still owed the director \$195,729 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 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. As previously reported, 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 March 31, 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

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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 the 2008.

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 March 31, 2009, the Company owed Mr. Nora \$195,729.

Prior to his appointment with the Company, Mr. Nora was also involved in the ANAHOP private placement of common stock (discussed in Note 10). 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.

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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 March 31, 2009, totaled \$156,415.

During the year ended December 31, 2008, the Company president advanced the Company \$778,600. Of the amounts advances, \$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. As of March 31, 2009, the Company still owed the Company's president \$146,800 in the form of unsecured advances.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

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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 12/31/05.

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.

NOTE 7 - NOTES PAYABLE

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 issuance. At the same time, a discount equal to the face amount of the note was recorded, to be recognized ratably to interest expense. During the three months ended March 31, 2009, \$57,640 was accreted to interest expense. A total of \$254,254 has been accreted against the note as of March 31, 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. The fair value of the derivative liability stemming from the associated warrants as of March 31, 2009, was \$88,855.

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 percent 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. No further extension has been granted.

Accrued interest is payable at the time of maturity or conversion. The Company

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may, at its 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 March 31, 2009 was \$269,272.

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. 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 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 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 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 registration statement was filed in September 2005 and was declared effective in August 2006.

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 March 31, 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 March 31, 2009.

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

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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. Other than interest expense on the debenture, there was no activity associated with the debenture during the three months ended March 31, 2009.

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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 1, 2008 the interest rate was increased to 12 percent. No further extension has been granted.

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. The balance of accrued interest owed at March 31, 2009, was \$375,288.

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 vest immediately and have a three-year

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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. 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 31, 2008, a former maturity date, at which time the 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 March 31, 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.

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As of March 31, 2009, YA Global had not converted any of the December Debenture into shares of the Company's common stock.

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 March 31, 2009, was \$307,030.

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,

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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 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 are being amortized over the life of the August Debenture.

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 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-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 \$110,000 of the convertible debenture into 65,088,757 shares of common stock during the three months ended March 31, 2009. As of March 31, 2009, the carrying value of the August Debenture was \$1,028,576. The fair value of the derivative liability arising from the August Debenture's conversion feature was \$1,798,661 as of March 31, 2009.

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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 9 - STOCKHOLDERS' EQUITY

During the three months ended March 31, 2009, the Company issued the following shares of restricted common stock:

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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.

NOTE 10 - STOCK OPTIONS AND WARRANTS

Stock Option Plans - Options to purchase a total of 59,800,000 shares of common stock had been issued from the 2006 Stock Option Plan as of March 31, 2009, out of which a maximum of 60,000,000 can be issued. As of March 31, 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 three months ended March 31, 2009. During the three months ended March 31, 2008, the Company granted options to purchase 12,960,000 shares of common stock to employees, with an associated aggregated fair market value of \$91,347.

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. The Company uses 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 three months ended March 31, 2009, no actual assumptions were applicable for the three months ended March 31, 2009 (see table below):

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	Three months ended March 31, 2009	2008
	-----	-----
Expected dividend yield	-	-
Risk free interest rate	n/a	1.4% - 2.7%
Expected volatility	n/a	118% - 120%
Weighted average volatility	n/a	119%
Expected term (in years)	n/a	2.50
Weighted average fair value per share	n/a	\$0.008

A summary of the stock option activity under the Plans as of March 31, 2009, and changes during the three months then ended is presented below:

	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Shares	-----	-----	-----
Outstanding at			

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December 31, 2008	56,160,000	\$	0.014		
Granted	-	\$	-		
Exercised	-	\$	-		
Forfeited	(3,000,000)	\$	0.014		
	-----		-----		
Outstanding at March 31, 2009	53,160,000	\$	0.014	3.23	\$ -
	=====		=====	=====	=====
Excercisable at March 31, 2009	51,360,000	\$	0.013	3.26	\$ -
	=====		=====	=====	=====

There were no options exercised during the three months ended March 31, 2009 and 2008. As of March 31, 2009, there was \$9,964 in unrecognized compensation cost related to nonvested options outstanding that is expected be recognized over a weighted average period of 2.5 years.

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 12/31/08.

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 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 March 31, 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

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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 warrants 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 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.

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:

	Electronics Assembly	Contract Manufacturing	Marketing and Media	Beverage Distribution

Three months ended March 31, 2009				
Sales to external customers	\$ 488,172	\$ 175,148	\$ 987,220	\$ 271,842
Segment income (loss)	(1,915,652)	(83,084)	(277,281)	26,460
Segment assets	2,056,422	7,051,690	4,254,571	126,745
Depreciation and amortization	96,152	64,551	5,841	-
Three months ended March 31, 2008				
Sales to external customers	\$ 670,932	\$ 836,078	\$ 1,272,485	\$ 80,968
Segment income (loss)	(219,181)	259,635	(164,252)	56,179
Segment assets	7,552,317	515,682	4,935,913	335,670
Depreciation and amortization	95,692	64,696	484	-

NOTE 12 - GEOGRAPHIC INFORMATION

The Company currently maintains approximately \$535,526 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

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On April 13, 2009, the Company issued 7,621,580 of common shares to YA Global for payment of \$7,622 of principal on the August Debenture (see Note 8).

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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 25 percent and 23 percent of our total revenues during the first quarter of 2009 and 2008, respectively, 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. Such sales were 8 and 28 percent of our total revenues during the three months ended March 31, 2009 and 2008, respectively.

CirTran Products pursues contract manufacturing relationships in the U.S. consumer products markets, including licensed merchandise sold in the sports and entertainment markets. These sales comprised two percent of total sales for each of the quarters ended March 31, 2009 and 2008.

CirTran Media provides end-to-end services to the direct response and entertainment industries. This subsidiary's revenues were 0 percent and 4 percent of total sales for the quarters ended March 31, 2009 and 2008, 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 32 percent and 16 percent of total revenues during the first three months of 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

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and manufacturing costs. Services billed to PlayBev during the three months ended March 31, 2009 and 2008 under this arrangement accounted for 19 and 24 percent of total sales, respectively. Sales of energy drink beverages during the three months ended March 31, 2009 and 2008, amounted to 14 percent and 3 percent of total sales, respectively.

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

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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 Months Ended March 31, 2009 and 2008

Sales and Cost of Sales

Net sales decreased to \$1,922,382 for the quarter ended March 31, 2009, as compared to \$2,860,463 for the quarter ended March 31, 2008. The \$938,081 fall in net sales during the quarter, as compared to the same prior year quarter, is attributable primarily by a sales decrease of 79 percent in our Contract Manufacturing segment and a combined 22 percent decrease in our Marketing and Media segment. The net sales decreases were driven primarily by the slow down of one of our major customer's business in our Contract Manufacturing segment, which during the prior quarter accounted for nearly 49 percent of that segment's net sales. In addition, not only have 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. In our Beverage Distribution segment, we continue to gain traction as we experienced a 236 percent increase in our net sales during the quarter ended March 31, 2009, as compared to the quarter ended March 31, 2008, driven by the success of the Playboy Energy Drink beverages.

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Cost of sales, as a percentage of sales, increased to 81 percent from 73 percent for the three months ended March 31, 2009, as compared to the prior year. Consequently, the gross profit margin decreased to 19 percent from 27 percent, respectively, for the same time period. The decrease in gross profit margin was attributable to the significant shift in the sales mix of products and services experienced during 2009 as compared to 2008. Sales from our arrangement with GMA increased dramatically during 2009 as compared to 2008, which based on the arrangement we have with GMA, carries a lower gross profit margin. 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 2009, as the distribution of the Playboy Energy Drink beverages continues to expand both domestically and internationally.

The following chart presents 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 months ended March 31, 2009 and 2008.

Segment	March 31,	Sales	Cost of sales	Gross profit
Electronics Assembly	2009	\$ 488,172	\$ 291,941	\$ 196,231
	2008	670,932	415,270	255,662
Contract Manufacturing	2009	175,148	75,941	99,207
	2008	836,078	547,992	288,086
Marketing/ Media	2009	987,220	940,721	46,499
	2008	1,272,485	1,114,737	157,748
Beverage Distribution	2009	271,842	242,043	29,799
	2008	80,968	30,782	50,186

Selling, General and Administrative Expenses

During the first quarter ended March 31, 2009, selling, general and administrative expenses decreased by 21 percent 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 quarter ending March 31, 2009, together with the reduction of travel and legal expenses. As mentioned previously, not only have 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 and amortization expenses.

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Non-cash compensation expense

Compensation expense in connection with granting options to employees to purchase common stock decreased by 100 percent for the three months ended March 31, 2009, as compared to the prior year as no options were granted during the three months ended March 31, 2009.

Other income and expense

Major components of other income and expense were as follows:

- o Interest expense for the first three months of 2009 was \$326,566 as compared to \$478,632 for the comparative period in 2008, a decrease of nearly 32 percent. The decrease is driven primarily by reduced accretion expenses associated with the notes payable.
- 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 loss of \$1,288,607 on our derivative valuation for the quarter ended March 31, 2009, as compared to a gain of \$882,187 derived during the quarter ended March 31, 2008, a quarter over prior year quarter unfavorable swing of nearly \$2.2 million. 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 different market values of our common stock.

As a result of the above mentioned factors, our overall net loss increased to \$2,249,557 for the three months ended March 31, 2009, as compared to \$67,619 for the three months ending March 31, 2008. The quarter over prior year quarter swing of the non-cash derivative valuation approached \$2.2 million, nearly the entire net loss variance of the quarter over prior year quarter for the three months ended March 31, 2009.

Liquidity and Capital Resources

Our expenses are currently greater than our revenues. We have had a history of losses, and our accumulated deficit was \$35,574,972 at March 31, 2009, and \$33,325,415 at December 31, 2008. Our net loss for the first quarter of 2009 was \$2,249,557, compared to \$67,619 for the first quarter of 2008. Our current liabilities exceeded our current assets by \$6,296,312 as of March 31, 2009, and \$4,244,213 as of December 31, 2008. The driving factors for the difference were a combination of increases in accounts receivable and other current assets. For the quarter ended March 31, 2009, we experienced negative cash flows from operating activities of \$288,288, as compared to negative cash flows from operations during the previous year of \$139,113.

Cash

For the quarter ended March 31, 2009, we experienced negative cash flows from operating activities of \$288,288 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 for the initial three-month periods 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

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The increase in accounts receivable at March 31, 2009, as compared to December 31, 2008, resulted from a combination of increases for both trade and related party receivables during the first quarter 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.

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Accounts payable and accrued liabilities

Quarter-end accounts payable and other accrued liabilities owing at March 31, 2009, increased by \$1,084,353 when compared to corresponding year-end amounts at December 31, 2008. Accounts payable increased by \$394,443. Other accrued liabilities increased by \$689,910 as compared to the December 31, 2008, year-end amounts as unbilled inventory rose more than \$200,000 and tax liabilities increased \$237,555 during the three months ending March 31, 2009.

Liquidity and financing arrangements

We have a history of substantial losses from operations, and of using rather than providing cash in operations. We had an accumulated deficit of \$35,574,972 along with a total stockholders' deficit of \$2,442,990 at March 31, 2009. In addition, during the first quarter of 2009, we have used, rather than provided, cash in our operations. As of March 31, 2009, our monthly operating costs plus interest expense payable in cash averaged approximately \$850,000 per month.

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. No further extension has been granted.

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 March 31, 2009, was \$269,272.

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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 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.

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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. The registration statement was filed in September 2005 and was declared effective in August 2008.

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 March 31, 2009, was \$620,136. The fair value of the derivative liability stemming from the debenture's conversion feature as of March 31, 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 three months ending March 31, 2009.

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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. No further extension has been granted.

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 March 31, 2009, was \$375,288.

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.

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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.

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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 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 March 31, 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 March 31, 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 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 March 31, 2009, was \$307,030.

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:

- (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.

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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-for-1 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. As of March 31, 2009, the carrying value of the August Debenture was \$1,028,576. The fair value of the derivative liability stemming from the August Debenture's conversion feature as of March 31, 2009, was \$1,798,661.

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.

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 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;

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- 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;

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- 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 Global Marketing Alliance ("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 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.

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.

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

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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 months ended March 31, 2009 and 2008 was \$111,114 and \$105,757, respectively.

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

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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.

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 March 31, 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 March 31, 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.

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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.

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 with regards to the accounting and valuation of derivative liabilities and the impairment of long lived assets were not effective to provide reasonable assurance as of March 31, 2009.

Changes in Internal Control Over Financial Reporting

During the three months March 31, 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 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, unjust

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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.

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

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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.

West Direct, Inc., v. CirTran Corporation, Doc. 1080 No. 826, In the District Court of Douglas County, Nebraska. On or about March 11, 2008, plaintiff West Direct, Inc. instituted this action, alleging the existence, and our violation, of a Services Agreement under which plaintiff was to supply certain services for compensation. We denied the plaintiff's claim of approximately \$22,000. This matter was settled on June 6, 2008, for \$13,000.

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

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terminated the Distribution Agreement. The case is proceeding through discovery. CirTran Beverage intends to defend vigorously against all allegations in this matter.

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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. The case is presently in the discovery phase. CirTran Asia intends to defend vigorously against the allegations in the Complaint.

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 \$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. While CirTran Beverage and Mr. Hawatmeh intend to defend against the allegations in the

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Complaint, the parties have been engaged in settlement negotiations.

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. While CirTran Beverage and Mr. Hawatmeh intend to defend against the allegations in the Complaint, the parties have been engaged in settlement negotiations.

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 are engaged in settlement discussions.

Talon Printing, Inc., v. CirTran Corporation, Civ No. 080422537 DC, Third Dist Ct, 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.

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Schleuniger Inc., v. CirTran Corp., Civ. No. 090408568, Third Dist Ct., 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 Company is reviewing the matter and intends to defend vigorously against the allegations in the complaint.

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 Dist Ct., 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 Company is reviewing the matter and intends to defend vigorously against the allegations in the complaint.

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

We issued shares of our common stock without registering those securities under the Securities Act of 1933, as amended ("Securities Act") as follows:

- o During the three months ended March 31, 2009 YA Global chose to convert \$110,000 of the convertible debenture into 65,088,757 shares of common stock at a price of \$.00169, which was the lesser of \$0.10 per share or an amount equal to the lowest closing bid price of our common stock during the twenty trading days immediately preceding the conversion date, pursuant to the terms

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of the debenture agreement.

- 0 8,703,704 shares of common stock were issued to Highgate as a conversion payment of \$100,000 of principal on our debenture obligation during the three months ended March 31, 2008. The blended conversion rate of \$0.011 was determined as being the lesser of \$0.10 per share or an amount equal to the lowest closing bid price of our common stock during the twenty trading days immediately preceding the conversion date, pursuant to the terms of the debenture agreement.

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.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No. -----	Document -----
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 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).

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- 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 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).

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- 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).
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- 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 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).
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- 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 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,

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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).
- 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)
- 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)

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- 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).
- 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).

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- 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).

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- 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).
- 31.1 Certification of President, Chief Financial Officer
- 32.1 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

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Dated: May 15, 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: May 15, 2009

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