CIRTRAN CORP
Form 10-Q
August 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

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 | 68-0121636 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 4125 South 6000 West, West Valley City, Utah | 84128 |
| (Address of principal executive offices) | (Zip Code) |

(801) 963-5112
(Registrant's telephone number, including area code)

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

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

The number of shares of the registrant's common stock outstanding at August 8, 2008 was 1,213,490,266 shares.

CIRTRAN CORPORATION
FORM 10-Q

For the Quarterly Period Ended June 30, 2008

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CIRTRAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | June 30, 2008 | December 31, 2007 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ 25,912 | $ 82,761 |
| Trade accounts receivable, net of allowance for doubtful accounts of $78,121 and $55,742, respectively | 700,899 | 411,899 |
| Receivable due from related party | 3,919,829 | 1,438,967 |

| | | |
|---|---|---|
| Inventory, net of reserve of $906,733 and $968,967, respectively | 2,307,834 | 1,938,616 |
| Prepaid deposits | 150,461 | 129,592 |
| Other | 407,695 | 329,836 |
| Total current assets | 7,512,630 | 4,331,671 |
| Investment in securities, at cost | 1,820,000 | 1,820,000 |
| Investment in related party | 750,000 | 750,000 |
| Deferred offering costs, net | 54,017 | 102,462 |
| Long-term receivable | 1,665,000 | 1,665,000 |
| Property and equipment, net | 884,596 | 986,184 |
| Intellectual property, net | 1,932,883 | 2,089,233 |
| Other assets, net | 19,781 | 19,781 |
| Total assets | $ 14,638,907 | $ 11,764,331 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities | | |
| Accounts payable | $ 2,137,452 | $ 1,326,533 |
| Short-term advances payable | 1,484,393 | 175,000 |
| Distribution payable | - | 747,290 |
| Accrued liabilities | 1,897,396 | 1,595,704 |
| Deferred revenue | 491,036 | 159,849 |
| Derivative liability | 1,717,876 | 2,896,969 |
| Convertible debenture | 3,169,053 | 2,983,348 |
| Current maturities of long-term debt | 119,904 | 194,904 |
| Notes payable to stockholders | 885,893 | 238,891 |
| Total current liabilities | 11,903,003 | 10,318,488 |
| Long-term debt, less current maturities | 936,327 | 1,009,364 |
| Total liabilities | 12,839,330 | 11,327,852 |
| Commitments and contingencies | - | - |
| Minority interest | 2,573,231 | 1,709,258 |
| Stockholders' deficit | | |
| Common stock, par value $0.001; authorized 1,500,000,000 shares; issued and outstanding shares: 1,210,490,266 and 1,101,261,449 | 1,210,485 | 1,101,256 |
| Additional paid-in capital | 28,170,077 | 27,057,168 |
| Subscription receivable | (17,000) | (17,000) |
| Accumulated deficit | (30,137,216) | (29,414,203) |
| Total stockholders' deficit | (773,654) | (1,272,779) |
| Total liabilities and stockholders' deficit | $ 14,638,907 | $ 11,764,331 |

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

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

| | Three months ended June 30, 2008 | Three months ended June 30, 2007 | Six mon Jun 2008 |
|---|---|---|---|
| Net sales | $ 4,240,121 | $ 2,878,156 | $ 7,100,584 |
| Cost of sales | 3,465,460 | 1,252,284 | 5,567,891 |
| Gross profit | 774,661 | 1,625,872 | 1,532,693 |
| Operating expenses | | | |
| Selling, general and administrative expenses | 1,764,717 | 2,852,855 | 3,227,873 |
| Non-cash compensation expense | 996 | - | 92,343 |
| Total operating expenses | 1,765,713 | 2,852,855 | 3,320,216 |
| Loss from operations | (991,052) | (1,226,983) | (1,787,523 |
| Other income (expense) | | | |
| Interest expense | (565,369) | (749,322) | (1,044,001 |
| Interest income | 57,784 | - | 62,306 |
| Gain on sale/leaseback | 20,268 | - | 41,043 |
| Gain on settlement of lititgation | - | - | 300,000 |
| Gain on forgiveness of debt | - | 4,542 | - |
| Gain on derivative valuation | 822,975 | (595,607) | 1,705,162 |
| Total other income (expense), net | 335,658 | (1,340,387) | 1,064,510 |
| Net loss | $ (655,394) | $ (2,567,370) | $ (723,013 |
| Basic and diluted loss per common share | $ - | $ - | $ - |
| Basic and diluted weighted-average common shares outstanding | 1,164,019,688 | 780,887,275 | 1,138,104,520 |

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

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

| For the Six Months Ended June 30, | 2008 | 2007 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $ (723,013) | $ (3,546,411) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 322,217 | 433,842 |
| Accretion expense | 662,668 | 1,169,265 |
| Provision for doubtful accounts | 22,379 | - |
| Provision for obsolete inventory | 9,135 | - |
| Gain on forgiveness of debt | - | (23,748) |
| Gain on sale - leaseback | (41,043) | (20,269) |
| Non-cash compensation expense | 92,343 | 75,385 |
| Loan costs and interest withheld from loan proceeds | 48,445 | - |
| Stock purchase rights and warrants issued to attorneys and consultants for services | 147,028 | - |
| Change in valuation of derivative | (1,705,162) | 261,759 |
| Changes in assets and liabilities: | | |
| Trade accounts receivable | (2,792,242) | (246,369) |
| Inventory | (378,353) | (95,236) |
| Prepaid expenses and deposits | (5,868) | (2,809) |
| Other current assets | (77,859) | 16,154 |
| Accounts payable | 1,017,602 | (36,816) |
| Accrued liabilities | 360,570 | 190,103 |
| Deferred revenue | 331,187 | 164,670 |
| Net cash used in operating activities | (2,709,966) | (1,660,480) |
| Cash flows from investing activities | | |
| Intangibles purchased with cash | (54,946) | (45,202) |
| Amounts advanced to Diverse Talent Group, Inc. | - | (109,633) |
| Proceeds from the sale of property and equipment | - | 2,500,000 |
| Purchase of property and equipment | (9,333) | (135,600) |
| Net cash (used in) provided by investing activities | (64,279) | 2,209,565 |
| Cash flows from financing activities | | |
| Proceeds from notes payable to related party | 1,100,000 | 330,000 |
| Payments on notes payable to related party | (57,997) | (60,000) |
| Net borrowings in connection with short-term advances | 1,309,393 | - |
| Proceeds from stock issued in private placement | 441,000 | - |
| Principal payments on long-term debt | (75,000) | (1,232,992) |
| Proceeds of sale of a portion of initial interest in AfterBev | - | 750,000 |
| Net cash provided by (used in) financing activities | 2,717,396 | (212,992) |

| | | | | |
|---|---|---|---|---|
| Net (decrease) increase in cash and cash equivalents | | (56,849) | | 336,093 |
| Cash and cash equivalents at beginning of year | | 82,761 | | 146,050 |
| Cash and cash equivalents at end of period | $ | 25,912 | $ | 482,143 |

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

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

| For the Six Months Ended June 30, | | 2008 | | 2007 |
|---|---|---|---|---|
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid during the period for interest | $ | 83,878 | $ | 61,760 |
| Noncash investing and financing activities: | | | | |
| Stock issued in payment of notes payable and accrued interest | $ | 350,000 | $ | 100,000 |
| Common stock issued for partial conversion of debentures | | - | | 1,062,509 |
| Common stock issued for the 1.2 for 1 forward stock split | | - | | 140,572 |
| Deferred gain on the sale and leaseback of office building | | - | | 810,736 |
| Investment in Play Beverages, LLC | | - | | 750,000 |
| 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 - The Company consolidates all of its majority-owned subsidiaries 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 (collectively, the "Company" or "CirTran"). 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-KSB for the year ended December 31, 2007. In particular, the Company's significant accounting policies were presented as Note 1 to the consolidated financial statements in that Annual Report. In the opinion of management, all adjustments necessary for a fair presentation have been included in the accompanying condensed consolidated financial statements and consist of only normal recurring adjustments. The results of operations presented in the accompanying condensed consolidated financial statements for the three- and six-month periods ended June 30, 2008, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2008.

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., CirTran Beverage Corp., and during 2007, discontinued PFE Properties, LLC.

The consolidated financial statements also include the accounts of After Bev Group LLC, a majority-controlled subsidiary ("AfterBev"). At June 30, 2008, the Company had a four percent share of AfterBev's profits and losses, but maintained a 52 percent voting control interest. AfterBev has a 51 percent share of the eventual cash distributions of Play Beverages, LLC ("PlayBev"), and the president and one of the directors of the Company own membership interests in PlayBev totaling 14.35 percent. As of June 30, 2008, PlayBev's operating agreement required a 75 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 director own membership interests and have been appointed to two of the three executive management positions in PlayBev, the Company nevertheless cannot exercise unilateral control over significant decisions, and the Company has accounted for its investment in PlayBev under the cost method of accounting.

Impairment of Long-Lived Assets - The Company reviews its long-lived assets, including intangibles, for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. At each balance sheet date, the Company evaluates whether events and circumstances have occurred that indicate possible impairment. The Company uses an estimate of future undiscounted net cash flows from the related asset or group of assets over their remaining life in measuring whether the assets are recoverable. As of June 30, 2008, the Company does 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 $105,540 and $105,431 for the three months ended June 30, 2008 and 2007, respectively, and was $211,297 and $210,863 for the six months ended June 30, 2008 and 2007, respectively.

Financial Instruments with Derivative Features - The Company does not hold or issue derivative instruments for trading purposes. However, the Company has 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 values of the derivative instruments are remeasured each quarter.



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 935,587,200 and 360,350,500 in potentially issuable common shares at June 30, 2008 and 2007, 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 September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the 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. The Company did not have any assets or liabilities that were required to be measured at fair value on a recurring basis subject to the disclosure requirements of SFAS 157 at June 30, 2008, therefore the adoption of this pronouncement had no impact on the condensed consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company elected not to measure any additional financial assets or liabilities at fair value at the time SFAS 159 was adopted on January 1, 2008. As a result, implementation of SFAS 159 had no impact on the Company's condensed consolidated financial statements

In December 2007, the FASB issued 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. The Company has not yet determined the effect on our consolidated financial statements, if any, upon adoption of SFAS No. 141(R) or SFAS No. 160.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. This standard is intended to improve financial reporting by requiring transparency about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under SFAS No. 133; and how derivative instruments and related hedged items affect its financial position, financial performance and cash flows. The provisions of SFAS No. 161 are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company does not believe the adoption of SFAS 161 will have a significant effect on its consolidated financial position, results of operations or cash flows.



NOTE 2 - REALIZATION OF ASSETS

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has sustained losses of $723,013 and $3,546,411 for the six months ended June 30, 2008 and 2007, respectively. As of June 30, 2008, the Company had an accumulated deficit of $30,137,216. In addition, the Company used, rather than provided, cash in its operations in the amount of $2,709,966 and $1,660,480 during the six months ended June 30, 2008 and 2007. 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 consists of the following:

| | June 30, 2008 | December 31, 2007 |
|---|---|---|

| | | |
|---|---|---|
| Raw materials | $ 1,906,906 | $ 1,910,029 |
| Work in process | 370,508 | 398,978 |
| Finished goods | 937,153 | 598,576 |
| Allowance / reserve | (906,733) | (968,967) |
| Totals | $ 2,307,834 | $ 1,938,616 |

NOTE 4 - INTELLECTUAL PROPERTY

Intellectual property and estimated service lives consist of the following:

| | June 30, 2008 | December 31, 2007 | Estimated Service Lives in Years |
|---|---|---|---|
| Infomercial development costs | $ 217,786 | $ 162,840 | 7 |
| Patents | 45,660 | 45,660 | 7 |
| ABS informerical | 1,186,382 | 1,186,382 | 5 |
| Trademark | 1,220,068 | 1,220,068 | 7 |
| Copyright | 115,193 | 115,193 | 7 |
| Total intellectual property | 2,785,089 | 2,730,143 | |
| Less accumulated amortization | (852,206) | (640,910) | |
| Intellectual property, net | $ 1,932,883 | $ 2,089,233 | |



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

| Year Ending December 31, | |
|---|---|
| 2008 | $ 211,513 |
| 2009 | 423,026 |
| 2010 | 423,026 |
| 2011 | 324,366 |
| 2012 | 222,498 |
| Total | $ 1,604,429 |

NOTE 5 - RELATED PARTY TRANSACTIONS

Play Beverages, LLC

During 2006, Playboy Enterprises, Inc. ("Playboy") entered into a licensing agreement with PlayBev, a related party, whereby PlayBev agreed to internationally market and distribute a new energy drink carrying the Playboy name and "Rabbit Head" logo symbol. In 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.

PlayBev has no operations, so under the terms of the exclusive manufacturing and distribution agreement the Company was appointed as 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. During the three and six months ended June 30, 2008, the Company incurred $104,640 and $110,990 in royalty expenses due to PlayBev.

The Company also agreed to provide services to PlayBev for initial development, marketing, and promotion of the new beverage. These services are billed to PlayBev and recorded as an account receivable. On March 19, 2008, the Company agreed to increase the maximum amount from $1,000,000 to $3,000,000 that it would carry as a receivable due from PlayBev in connection with these billed services, and to also begin charging interest on the outstanding amounts owing at a rate of 7 percent per annum. Interest income accrued on the amounts due for the three and six months ended June 30, 2008 was $57,784 and $62,306, respectively. PlayBev has agreed to repay the receivable and accrued interest out of the royalties due PlayBev from the Company's distribution sales as described in the preceding paragraph. Amounts billed to PlayBev for marketing and development services amounted to $1,826,651 and $2,529,545, respectively, during the three and six months ended June 30, 2008, and were included in revenues for the Company's Marketing and Media segment. After netting this amount plus interest with earlier amounts billed to and due from PlayBev, with cumulative amounts due to PlayBev for royalties, the amount owed the Company was $3,919,829 at June 30, 2008.

After Bev Group, LLC

In an effort to finance the initial development and marketing of the new drink, in 2007 the Company with other investors formed AfterBev, a partially-owned, consolidated subsidiary of the Company. The Company contributed its expertise in exchange for a membership interest in AfterBev. Following AfterBev's organization the Company entered into consulting agreements with two individuals, one of whom 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 what the Company did with the sale proceeds. If the Company used the proceeds to help finance beverage development and marketing activities, the payment of distributions would be deferred, pending collections from customers once beverage product sales eventually commenced. Otherwise, the proportional assigned share distributions would be due to the two individuals.

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Throughout the rest of 2007, as energy drink development and marketing activities progressed, the Company raised additional funds by selling portions of its membership interest in AfterBev to other investors, some of whom were Company stockholders. In some cases, the Company sold a portion of its membership interest, including voting rights. In other cases, the Company sold merely a portion of its share of future AfterBev profits and losses. By the end of 2007, after taking into account the two interests it had assigned, the

Company had retained a net 14 percent interest in AfterBev's profits and losses, but had retained 52 percent of all voting rights in AfterBev. The Company recorded the receipt of these net funds as increases to its existing minority interest in AfterBev, and the rest 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 was granted a 24 percent interest in AfterBev's profits and losses in exchange for foregoing $863,973 in amounts due to him. Of this 24 percent, through the end of June 30, 2008, the director had sold 5.5 percent to unrelated investors for a total of $1,270,000, and had retained the remaining 18.5 percent interest in AfterBev's profit and losses. In turn, the director loaned these sales proceeds to the Company in the form of unsecured advances.

Transactions involving Officers, Directors, and Stockholders

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

In 2007, the Company appointed Fadi Nora to its Board of Directors. In addition to compensation the Company normally pays to non-employee members of the Board, Mr. Nora is entitled to a quarterly bonus equal to 0.5 percent of any gross sales earned by the Company directly through Mr. Nora's efforts. Mr. Nora also is entitled to a bonus equal to five percent of the amount of any investment proceeds received by the Company that are directly generated and arranged by him if the following conditions are satisfied: (i) his sole involvement in the process of obtaining the investment proceeds is the introduction of the Company to the potential investor, but that he does not participate in the recommendation, structuring, negotiation, documentation, or selling of the investment, (ii) neither the Company nor the investor are otherwise obligated to pay any commissions, finders fees, or similar compensation to any agent, broker, dealer, underwriter, or finder in connection with the investment, and (iii) the Board in its sole discretion determines that the investment qualifies for this bonus, and that the bonus may be paid with respect to the investment. During the first half of 2008, Mr. Nora received no compensation under this arrangement, however at June 30, 2008, the Company owed him $36,350 stemming from investment proceeds received under various financing arrangements during the first six months of 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 $1,270,000 obtained from his sales of AfterBev membership interests, and after offsetting advance amounts subsequently repaid to him by the Company, Mr. Nora loaned the Company a net $796,267 in the form of unsecured advances during the six months ended June 30, 2008. Accordingly, at June 30, 2008, the Company owed Mr. Nora $679,584.

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

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In 2007, the Company issued a 10 percent promissory note to a family member of the Company president in exchange for $300,000. The note was due on demand after May 2008. During the six months ended June 30, 2008, along with interest, the Company repaid principal of $4,413. At June 30, 2008, the principal amount owing on the note was $234,478. 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 three months ended June 30, 2008, the Company repaid $53,585 in principal to the family member.

As of June 30, 2008, the Company president had advanced the Company $125,000.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Guthy-Renker - In 2006, the Company filed a lawsuit against Guthy-Renker ("Guthy"), alleging breach of a 2005 manufacturing and distribution agreement, and seeking unspecified damages in excess of several million dollars. On March 25, 2008, the parties settled the matter, and Guthy paid the Company $300,000 under the settlement agreement to resolve all claims.

Registration rights agreements - In May 2005, in connection with the Company's issuance of a convertible debenture to Highgate House Funds, Ltd. ("Highgate") (see Note 8), the Company granted to Highgate 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 100,000,000 shares, and to keep such registration statement effective until all of the shares issuable upon conversion of the debenture were sold. The Company filed the registration statement in September 2005, and the registration statement was declared effective in August 2006.

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.

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 January 1, 2009.

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. 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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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 six months ended June 30, 2008, $78,776 was accreted to interest expense, and equaled the carrying value of the note as of that date. The carrying value 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 June 30, 2008 was $175,324.

In March 2008, the Company converted $75,000 owed to an unrelated member of AfterBev into a one-year, 10 percent promissory note, with interest payable quarterly.

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

NOTE 8 - CONVERTIBLE DEBENTURES

Highgate - In May 2005, the Company entered into an agreement with Highgate to issue to Highgate a $3,750,000, 5 percent Secured Convertible Debenture (the "Debenture"). The Debenture was originally due December 2007, and is secured by all of the Company's assets. The Company and Highgate subsequently agreed to extend the maturity date to August 31, 2008.

Accrued interest is payable at the time of maturity or conversion. The Company may, at its option, elect to pay accrued interest in cash or shares of the Company's common stock. If paid in stock, the conversion price shall be the closing bid price of the common stock on either the date the interest payment is due or the date on which the interest payment is made. The balance of accrued interest owed at June 30, 2008 was $213,409.

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

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

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

(ii) Highgate may convert up to $500,000 worth of the principal amount plus accrued interest of the Debenture in any consecutive 30-day period when the price of the Company's stock is greater than $0.10 per share at the time of conversion; provided, however, that Highgate may convert in excess of the foregoing amounts if the Company and Highgate mutually agree; and

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

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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 the Company's outstanding common stock.

As discussed in Note 6, the Company granted Highgate registration rights related to the issuance of the debenture.

The Company determined that certain conversion features of the Debenture fell under derivative accounting treatment. Since May 2005, the carrying value was accreted over the life of the debenture until December 31, 2007, the original maturity date. After reflecting such accretions, as well as principal conversions since May 2005, the remaining carrying value of the Debenture was $620,136 as of June 30, 2008. The fair value of the derivative liability stemming from the debenture's conversion feature as of June 30, 2008 was $185,496.

In connection with the issuance of the Debenture, $2,265,000 of the proceeds were 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 six months ended June 30, 2008, Highgate converted $350,000 of debenture principal into a total of 36,085,960 shares of common stock.

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 of all the Company's property, subordinate to the Highgate security interest. At the same time the Company and Highgate agreed to extend the maturity date on the Highgate debenture, the Company also agreed with YA Global to extend the maturity date of the December Debenture to August 31, 2008.

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 June 30, 2008 was $240,164.

YA Global's right to convert principal amounts 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 of the Company's 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 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 that vest immediately and have a three-year life.



As discussed in Note 6, the Company granted YA Global registration rights related to the issuance of the December Debenture and warrants.

The Company determined that the conversion features on the December Debenture and the associated warrants fell under derivative accounting treatment. As of June 30, 2008 the carrying value of the December Debenture was $1,450,689. The carrying value will be accreted over the life of the December Debenture until the carrying value equals the face value of $1,500,000. The fair value of the derivative liability stemming from the December Debenture's conversion feature as of June 30, 2008 was $448,682.

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

As of June 30, 2008, 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 June 30, 2008 was $191,671.

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 to 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 the Company's 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 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 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 Debenture), YA Global may, in its sole discretion, accelerate full repayment of all debentures outstanding and accrued interest thereon or may, notwithstanding any limitations contained in the August Debenture and/or the Purchase Agreement, convert all debentures outstanding and accrued interest thereon in to shares of the Company's Common Stock pursuant to the August Debenture.

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

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

In connection with the issuance of the August Debenture, the Company granted YA Global registration rights related to the issuance of the August Debenture and warrants (See Note 6).



The Company determined that the conversion features on the August Debenture and the associated warrants fell under derivative accounting treatment. As of June 30, 2008, the carrying value of the August Debenture was $1,098,228. 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. The fair value of the derivative liability stemming from the August Debenture's conversion feature as of June 30, 2008 was $840,920.

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.

As of December 31, 2007, YA Global had not converted any of the August Debenture into shares of the Company's common stock.

NOTE 9 - STOCKHOLDERS' EQUITY

During the six months ended June 30, 2008, the Company issued the following shares of common stock:

36,085,960 restricted shares for payment of $350,000 of principal on the debenture to Highgate (see Note 8). Associated with the debenture conversion payment was a related decrease in the derivative liability of $173,930.

A total of 63,142,857 restricted shares were sold in six separate private placement transactions for $441,000, along with the conversion of $17,836 in accrued liabilities. The proceeds were based on the fair market value on the day the shares were sold.

In April 2008, the Company's attorneys exercised a share purchase right for 10,000,000 shares of common stock. The right was issued earlier in the year in connection with payment arrangements covering legal services.

NOTE 10 - STOCK OPTIONS AND WARRANTS

Stock Option Plans - As of June 30, 2008, there were no more options outstanding from the three Stock Option Plans adopted during 2003 and 2004. As of that same date, options to purchase a total of 56,800,000 shares of common stock had been issued from the 2006 Stock Option Plan, out of which a maximum of 60,000,000 can be issued. As of June 30, 2008, 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 - During the six months ended June 30, 2008, the Company granted options to purchase 12,960,000 shares of common stock to employees. The fair market value of the options aggregated $105,296.

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

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model, using the assumptions noted in the following table. Expected volatilities are based on the historical volatility of the Company's common stock over the most recent period commensurate with the expected term of the option. Prior to 2007, at times the Company granted options to employees in lieu of salary payments, and the pattern of exercise experience was known. Beginning in 2007, options were granted under different circumstances, and the Company has insufficient historical exercise data to provide a reasonable basis upon which to estimate the expected terms. Accordingly, in such circumstances, the Company in 2007 began using the simplified method for determining the expected term of options granted with exercise prices equal to the stock's fair market value on the grant date. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.



| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Expected dividend yield | - | - | - | - |
| Risk free interest rate | - | 4.71% | 1.4%-2.7% | 4.85% |
| Expected volatility | - | 110% | 118%-120% | 109% |
| Weighted average volatility | - | 110% | 119% | 109% |
| Expected term (in years) | - | 2.50 | 2.50 | 0.10 |
| Weighted average fair value | | | | |

| | | | | |
|---|---|---|---|---|
| per share | - | $0.011 | $0.008 | $0.010 |

A summary of the stock option activity under the Plans as of June 30, 2008, and changes during the six months then ended is presented below:

| | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2007 | 46,800,000 | $0.013 | | |
| Granted | 12,960,000 | $0.018 | | |
| Exercised | - | $ - | | |
| Forfeited | (3,600,000) | $0.013 | | |
| Outstanding at June 30, 2008 | 56,160,000 | $0.014 | 4.02 | $ - |
| Excercisable at June 30, 2008 | 53,760,000 | $0.013 | 4.05 | $ - |

There were no options exercised during the six months ended June 30, 2008 and 2007. As of June 30, 2008, there was $12,953 in unrecognized compensation cost related to nonvested options outstanding that is expected to be recognized over a weighted average period of 3.3 years.

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

Warrants - In connection with the YA Global convertible debenture issued in December 2005, the Company issued three-year warrants to purchase 10,000,000 shares of the Company's common stock. The warrants had an exercise price of $0.09 per share, and vested immediately, and had a three-year contractual life. 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 1:1.20 forward stock split that occurred in 2007, there are warrants outstanding at June 30, 2008 to purchase a total of 66,000,000 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.

In February 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. In April 2008, in connection with entering into an agreement with an outside consultant, the Company also issued four-year warrants to purchase up to 6,000,000 shares of common stock at an exercise price of $0.0125 per share.

The 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 Notes 6 and 7).

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 three reportable segments: Electronics Assembly, Contract Manufacturing, and Marketing and Media. 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. Beginning with the fourth quarter of 2007, this segment also included results of operations relating to beverage distribution, sales of which accounted for approximately six and five percent of total revenue during the three and six months ended June 30, 2008, respectively. The Company anticipates including operations relating to energy drink distribution in a separate segment in the event such operations 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 | Total |
|---|---|---|---|---|
| Three months ended June 30, 2008 | | | | |
| Sales to external customers | $ 365,763 | $ 685,634 | $ 3,188,724 | $ 4,240,121 |
| Intersegment sales | - | - | - | - |
| Segment income (loss) | (853,441) | (30,703) | 228,750 | (655,394) |
| Segment assets | 5,002,913 | 2,184,829 | 7,451,165 | 14,638,907 |
| Depreciation and amortization | 96,383 | 64,695 | 267 | 161,345 |
| Three months ended June 30, 2007 | | | | |
| Sales to external customers | $ 871,271 | $ 691,748 | $ 1,315,137 | $ 2,878,156 |
| Intersegment sales | - | - | - | - |
| Segment loss | (2,115,308) | (328,207) | (123,855) | (2,567,370) |
| Segment assets | 8,919,063 | 487,983 | 1,304,374 | 10,711,420 |
| Depreciation and | | | | |

| | | | | |
|---|---|---|---|---|
| amortization | 149,620 | 61,779 | 159 | 211,558 |
| Six months ended June 30, 2008 | | | | |
| Sales to external customers | $ 1,036,695 | $ 1,521,712 | $ 4,542,177 | $ 7,100,584 |
| Intersegment sales | - | - | - | - |
| Segment income (loss) | (1,072,622) | 228,932 | 120,677 | (723,013) |
| Segment assets | 5,002,913 | 2,184,829 | 7,451,165 | 14,638,907 |
| Depreciation and amortization | 192,075 | 129,391 | 751 | 322,217 |
| Six months ended June 30, 2007 | | | | |
| Sales to external customers | $ 1,952,271 | $ 1,429,378 | $ 1,784,800 | $ 5,166,449 |
| Intersegment sales | - | - | - | - |
| Segment loss | (2,819,998) | (542,469) | (183,944) | (3,546,411) |
| Segment assets | 8,919,063 | 487,983 | 1,304,374 | 10,711,420 |
| Depreciation and amortization | 311,307 | 122,323 | 212 | 433,842 |

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| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| Sales | 2008 | 2007 | 2008 | 2007 |
| Total sales for reportable segments | $ 4,240,121 | $ 2,878,156 | $ 7,100,584 | $ 5,166,449 |
| Elimination of intersegment sales | - | - | - | - |
| Consolidated net sales | $ 4,240,121 | $ 2,878,156 | $ 7,100,584 | $ 5,166,449 |

| | June 30, | |
|---|---|---|
| Total assets | 2008 | 2007 |
| Total assets for reportable segments | $ 14,638,907 | $ 10,711,420 |
| Adjustment for intersegment amounts | - | - |
| Consolidated total assets | $ 14,638,907 | $ 10,711,420 |

NOTE 12 - GEOGRAPHIC INFORMATION

The Company currently maintains approximately $726,000 of capitalized tooling costs in China. All other revenue-producing assets are located in the U.S. While the Company ships products overseas on behalf of its customers, those customers are located almost exclusively in the United States.

NOTE 13 - SUBSEQUENT EVENTS

On August 5, 2008, the Company issued 3,000,000 shares of common stock to a former employee as part of a final payment of an accrued settlement obligation.



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 or Plan of Operation included in our Annual Report on Form 10-KSB for the year ended December 31, 2007.

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 9 percent and 30 percent of our total revenues during the three months ended June 30, 2008 and 2007, respectively, and accounted for 15 percent and 38 percent, respectively, of total revenues for the six months then ended. Revenues were generated by low-volume electronics assembly activities consisting primarily of the placement and attachment of electronic and mechanical components on printed circuit boards and flexible (i.e., bendable) cables.

Through CirTran Asia we manufacture and distribute electronics, consumer products and general merchandise to companies selling in international markets. Such sales were 16 and 25 percent of our total revenues during the three months ended June 30, 2008 and 2007, respectively. Sales for the six-month periods were 20 and 27 percent, 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 less than one-half of one percent of total sales for both of the quarters ended June 30, 2008 and 2007, and comprised one percent of total sales for the first half of both 2008 and 2007.

CirTran Media provides end-to-end services to the direct response and entertainment industries. During the second quarters of 2008 and 2007, this subsidiary's revenues were three percent and two percent of total sales, respectively. During the six months ended June 30, 2008 and 2007, this subsidiary's revenues were, respectively, four percent and nine percent.

CirTran Online sells products via the internet, and provides services and support to internet retailers. In conjunction with partner GMA, revenues from this division were 23 percent and 34 percent of total revenues during the three months ended June 30, 2008 and 2007, respectively, and were 20 percent and 21 percent of total revenues during the six months ended June 30, 2008 and 2007, respectively.

CirTran Beverage manufactures, markets, and distributes Playboy-licensed energy drinks, which in the future are anticipated to include flavored water beverages, and related merchandise. We have also entered into an agreement with PlayBev, a related party who holds the Playboy license. We provide development and promotional services to PlayBev, and pay a royalty based on our product sales and manufacturing costs. Services billed to PlayBev during the three months ended June 30, 2008 and 2007 under this arrangement accounted for 43 percent and nine percent, respectively, of total sales, and were 35 percent and four percent, respectively during the six months ended June 30, 2008 and 2007. We also sold a limited amount of energy drink beverages during 2008, which amounted to six and five percent of total sales, respectively, for the three- and six-month periods ended June 30, 2008.

Forward-Looking Statements and Certain Risks

The statements contained in this report that are not purely historical are considered to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act. These statements represent our expectations, hopes, beliefs,



anticipations, commitments, intentions, and strategies regarding the future. They may be identified by the use of words or phrases such as "believes," "expects," "anticipates," "should," "plans," "estimates," and "potential," among others. Forward-looking statements include, but are not limited to, statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial performance, revenue, and expense levels in the future and the sufficiency of our existing assets to fund future operations and capital spending needs. Readers are cautioned that actual results could differ materially from the anticipated results or other expectations that are expressed in these forward-looking statements for the reasons detailed in our most recent Annual Report on Form 10-KSB at pages 13 through 22. 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.

Results of Operations

Revenue and Cost of Sales

Net revenue increased 47 percent to $4,240,121 for the quarter ended June 30, 2008, as compared to $2,878,156 for the quarter ended June 30, 2007, and revenue increased 37 percent to $7,100,584 for the first half of 2008, as compared to $5,166,499 for the same period of the prior year. The increases were primarily attributable to new revenue provided by the CirTran Online and CirTran Beverage subsidiaries, the significant effects of which began to be experienced during the latter half of 2007. Revenues from services billed within those two divisions aggregated $4,278,194 during the first six months of 2008, as compared to $1,336,351 during the same period during the prior year. This included revenue from the sale of Playboy Energy Drink, which was $324,796 during the first half of 2008. Of this amount, $243,828 was realized during the three months ended June 30, 2008. We believe we will experience higher energy drink revenues throughout the rest of 2008 and into 2009.

These sales increases were offset by sales decreases in CirTran USA, which experienced a decline in sales of $503,290, or 58 percent, during the second quarter of 2008 as compared to the prior year's first quarter, and which sales also declined by $912,169, or 47 percent during the six months ended June 30, 2008 as compared to the same period of the prior year. The decline was mainly attributable to (1) a "one-time" order shipped in 2007 that was not duplicated during the subsequent year, and (2) the effects of the continuing national economic decline that has resulted in a decrease in cable assembly and electronic orders from our traditional customers. These customers are placing orders with us in the current period at lower amounts than in 2007. Shipments of CirTran Product items remained relatively insignificant during both comparative periods, as shipments of True Ceramic Pro ("TCP") flat hair iron units virtually ceased at the beginning of 2007. However, during the first half of 2008 we finished our infomercial development, performed media tests, and hope to resume infomercial distribution during the latter half of 2008.

Revenue derived by CirTran Media also declined by 65 percent and 41 percent, respectively, during the three- and six-month periods ended June 30, 2008, as compared to the same periods during the prior year. The reason for the decline was our disposal during early 2007 of the Diversified Talent Group business and its related revenue source. However, this decline was offset somewhat by increased TCP sales via our website, which during the first half of 2008 increased four-fold when compared to 2007.

Cost of sales, as a percentage of sales, increased to 82 percent from 44 percent for the three months ended June 30, 2008, as compared to the prior year, and increased to 78 percent from 47 percent during the first half of 2008 as compared to 2007. Consequently, the gross profit margin decreased to 18 percent from 56 percent and to 22 percent from 53 percent, respectively, for the same time periods. The decrease in gross profit margin was attributable to the significant shift in the sales mix of products and services experienced during 2008 as compared to 2007. One of the primary reasons for the difference 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 improve during 2008, as we begin distributing more of the Playboy Energy Drink beverages. Another reason the gross profit margin decreased was the arrangement we have with GMA. Pursuant to our Assignment and Exclusive Services Agreement, we recognize the revenue collected under the GMA contracts, and remit back to GMA a management fee approximating their actual costs. This management fee is included in our cost of revenue. The PlayBev and GMA relationships were not significantly in place during the first half of 2007.

Selling, General and Administrative Expenses

During the second quarter ended June 30, 2008, selling, general and administrative expenses decreased by 38 percent as compared to the same period during 2007. For the six months ended June 30, 2008, selling, general, and administrative expenses decreased by 28 percent. The primary reason for the decrease was the absence during 2008 of significant costs associated with our former business partner, Diverse Talent Group. However, these cost savings were offset somewhat by increases in legal, travel, and advertising expenses associated with expanding activities in connection with finishing our TCP-related infomercial, and completing litigation efforts.

Non-cash compensation expense

Compensation expense in connection with granting options to employees to purchase common stock increased by 22 percent for the six months ended June 30, 2008 as compared to the prior year. The increase resulted primarily from the difference in the expected term used in calculating the valuation attributable to the option awards. The expected term presumed for options awarded during the first part of 2007 was significantly lower than that used during 2008.

Other income and expense

Major components of other income and expense were as follows:

- Interest expense for the three months ended June 30, 2008 was $565,369 as compared to $749,322 for the comparative period in 2007, a decrease of 25 percent. The decrease related primarily to elimination of the mortgage on our building through a sale and leaseback arrangement. This was also the primary reason why interest expense for the first half of 2008 declined 28 percent as compared to the same period of the previous year.

- We began accruing interest income during 2008 due to a modification of our agreement with PlayBev that took effect on March 19, 2008.

- During the first quarter of 2008, we arrived at a settlement agreement in connection with litigation, and received $300,000 to resolve all related claims.

- We also recorded a gain of $822,975 on our derivative valuation for the quarter ended June 30, 2008, as compared to a loss of $595,607 derived during the quarter ended June 30, 2007. We also recorded a derivative valuation-related gain of $1,705,162 for the first half of 2008, as compared to a loss of $261,756 for the first half of 2007. The differences 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 all of the above factors, our overall net loss decreased 74 percent to $655,394 for the three months ended June 30, 2008, as compared to $2,567,370 for the same period of the previous year. Our loss for the first half of 2008 decreased 80 percent to $723,013, as compared to $3,546,411 for the first half of 2007.

Liquidity and Capital Resources

Our expenses are currently greater than our revenues. We have had a history of losses, and our accumulated deficit was $30,137,216 at June 30, 2008, and $29,414,203 at December 31, 2007. Our net loss for the first half of 2008 was $723,013, compared to $3,546,411 for the first half of 2007. Our current liabilities exceeded our current assets by $4,390,373 as of June 30, 2008, and $5,986,817 as of December 31, 2007. The primary reasons for the difference were a combination of increases in accounts receivable and a reduction in the derivative liability, offset by increases in accounts payable and short-term debt. For the first half of 2008, we experienced negative cash flows from operating activities of $2,709,966, as compared to $1,660,480 during the previous year.



Cash

Aside from the difference in net loss during the comparative periods, most of the difference in cash used by operations during the six months ended June 30, 2008, as compared to the same period in 2007 stemmed from the differences in various non-cash elements of gain and loss such as lower accretion expenses, and the gain relating to the change in derivative valuations on the convertible debentures and related warrants. Aside from these factors, operating cash flows were primarily affected by amounts spent for the development and initial marketing efforts related to the Playboy-licensed energy drink, and then billed to PlayBev, along with amounts spent on raising inventory levels in connection with the energy drink.

Accounts Receivable

The increase in accounts receivable at June 30, 2008 as compared to December 31, 2007, resulted from additional amounts billed to PlayBev during the first half of 2008. During 2007, 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 an account receivable. Beginning in March 2008, we also began accruing interest on the amount due from PlayBev.

Accounts payable and short-term debt

Quarter-end accounts payable, short-term advances payable, distributions payable, and notes payable to related parties and stockholders owing at June 30, 2008 were higher by $2,020,024 when compared to corresponding year-end amounts at December 31, 2007. Accounts payable were higher due to activity related to PlayBev-related services performed during the first and second quarters of 2008. At June 30, 2008, we owed $1,484,393 which we had borrowed in the form of unsecured, short-term advances from various investors. Some investors intend to convert their advances into formal promissory note agreements. In addition, we entered into promissory note agreements with other investors, resulting in a net increase in short-term debt of $647,003. The total of all these increases were offset somewhat by a reduction in distributions payable owed to a member of our Board of Directors by assignment to him of a portion of our membership interest in AfterBev, and which was subsequently relinquished in January 2008.

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 $30,137,216, along with a total stockholders' deficit of $773,654 at June 30, 2008. In addition, during the first half of 2008, we have used, rather than provided, cash in our operations. As of June 30, 2008, our monthly cash operating costs plus interest expense payable in cash averaged approximately $250,000 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, 5 percent Secured Convertible Debenture (the "Debenture"). The Debenture was originally due December 2007, and is secured by all of our assets. Highgate has agreed to extend the maturity date of the Debenture to August 31, 2008. (See Note 8 to the unaudited condensed consolidated financial statements included in Item 1 of this report.)



Accrued interest is payable at the time of maturity or conversion. We may, at our option, elect to pay accrued interest in cash or shares of our common stock. If paid in stock, the conversion price shall be the closing bid price of the common stock on either the date the interest payment is due or the date on which the interest payment is made. The balance of accrued interest owed at June 30, 2008 was $213,409.

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. After reflecting such accretions, as well as principal conversions since May 2005, the remaining carrying value of the Debenture was $620,136 as of June 30, 2008. The fair value of the derivative liability stemming from the debenture's conversion feature as of June 30, 2008 was $185,496

In connection with the issuance of the Debenture, $2,265,000 of the proceeds were 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 the six months ended June 30, 2008, Highgate converted $350,000 of debenture principal into a total of 36,085,960 shares of common stock.

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 August 31, 2008. (See Note 8 to the unaudited condensed consolidated financial statements included in Item 1.)

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

At any time, YA Global may elect to convert principal amounts owing on the December Debenture into shares of our common stock at a conversion price equal to an amount equal to the lowest closing bid price of our common stock for the twenty trading days immediately preceding the conversion date. We have the right to redeem a portion or the entire December Debenture then outstanding by paying 105 percent of the principal amount redeemed plus accrued interest thereon. The balance of accrued interest owed at June 30, 2008 was $240,164.

We determined that the conversion features on the December Debenture and the associated warrants fell under derivative accounting treatment. As of June 30, 2008 the carrying value of the December Debenture was $1,450,689. The carrying value will be accreted over the life of the December Debenture until the carrying value equals the face value of $1,500,000. The fair value of the derivative liability stemming from the December Debenture's conversion feature as of June 30, 2008 was $448,682.

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

As of June 30, 2008, 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"). (See Note 8 to the unaudited condensed consolidated financial statements in Item 1.)

Accrued interest is payable at the time of maturity or conversion. We may, at our option, elect to pay accrued interest in cash or shares of our common stock. If paid in stock, the conversion price shall be the closing bid price of the common stock on either the date the interest payment is due or the date on which the interest payment is made. The balance of accrued interest owed at June 30, 2008 was $191,671.

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.



We determined that the conversion features on the August Debenture and the associated warrants fell under derivative accounting treatment. As of June 30, 2008 the carrying value of the August Debenture was $1,098,228. 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. The fair value of the derivative liability stemming from the August Debenture's conversion feature as of June 30, 2008 was $840,920.

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.

As of June 30, 2008, YA Global had not converted any of the August Debenture into shares of our common stock.

We are presently engaged in discussions with YA Global management to negotiate the extension of the August 31, 2008 maturity date for both the Highgate and YA Global December Debentures.

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;

iii. The buyer, not the seller, must request that the transaction be on a bill and hold basis. The buyer must have a substantial business purpose for ordering the goods on a bill and hold basis;

iv. There must be a fixed schedule for delivery of the goods. The date for delivery must be reasonable and must be consistent with the buyer's business purpose (e.g., storage periods are customary in the industry);

v. The seller must not have retained any specific performance obligations such that the earning process is not complete;

vi. The ordered goods must have been segregated from the seller's inventory and not be subject to being used to fill other orders; and

vii. The equipment (product) must be complete and ready for shipment.

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



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

We 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. 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 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 June 30, 2008, we do not consider any of our 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 $105,540 and $211,297, respectively, for the three and six months ended June 30, 2008. Amortization expense was $105,432 and $210,863 for the three and six months ended June 30, 2007, 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 values of the derivative instruments are remeasured each quarter.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is limited to interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. Our cash equivalents are invested with high quality issuers and limit the amount of credit exposure to any one issuer. Due to the short-term nature of the cash equivalents, we believe that we are not subject to any material interest rate risk as it relates to interest income. All outstanding debt instruments at June 30, 2008 have fixed interest rates and are therefore not subject to interest rate risk.

We did not have any foreign currency hedges or other derivative financial instruments as of June 30, 2008. We do not enter into financial instruments for trading or speculative purposes and do not utilize derivative financial instruments. Our operations are conducted in the United States and as such are not subject to foreign currency exchange rate risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and 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 and 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 and the Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurance as of June 30, 2008.

Changes in Internal Control Over Financial Reporting

During the six months ended June 30, 2008 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. (a subsidiary of our CirTran Asia subsidiary), and Charles 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. On February 7, 2008, the Court dismissed all of MCE's counterclaims against plaintiffs. On June 5, 2008, the Court dismissed plaintiffs' claims against Hayek and HIPMG for interference with economic relationships, and breach of Utah and New Jersey statutes. However, plaintiffs claims against Hayek and HIPMG for breach of contract and breach of the implied covenant of good faith and fair dealing remain for trial. Also on June 5, 2008, the Court entered summary judgment for CirTran on some of its claims against MCE and Casey, and entered judgment against MCE and Casey in the amount of $788,875. Plaintiff's remaining claims, and Casey's counterclaims, remain for trial. On July 11, 2008, the Court dismissed plaintiffs' claims against IE. IE's counterclaims against plaintiffs remain for trial. There is a pretrial conference scheduled for September 15, 2008, where the remaining claims and counterclaims of all parties will be considered. We intend to vigorously pursue our remaining claims, and to defend counterclaims against us, however at this time we cannot determine the eventual outcome of our claims or the potential success or effect any counterclaims may have on us when resolved.

With respect to all other legal proceedings described in our most recent Annual Report on Form 10-KSB at pages 23 through 25, there were no further material developments that occurred during the quarter ended June 30, 2008. As noted in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, during March 2008 we settled the matter of CirTran v. Guthy-Renker Corporation and Ben Van De Bunt.

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

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

- 27,382,256 shares of common stock were issued on April 11, 2008 to Highgate as a conversion payment of $250,000 of principal on our debenture obligation. The conversion rate of $0.00913 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.

- A total of 47,000,000 shares were sold in two separate private placement transactions for $237,000 on June 18 and June 25, 2008. The June 25 transaction included the conversion of $17,836 in accrued liabilities. In each of the two sales, the proceeds were determined based on the fair market value on the day the shares were sold.

In each case, we relied on exemptions provided under the Securities Act. We took steps to see that the investors had available the same type of information that would be included in a registration statement. In addition, each certificate representing shares issued pursuant to those exemptions was inscribed by the restricted legend required by Rule 144.



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

We held our annual meeting of stockholders on June 18, 2008. The purpose of the meeting was to (i) elect two directors, each of whom will serve a one-year term until the next meeting of stockholders, or until a successor is elected and shall qualify; (ii) approve the 2006 Stock Plan adopted by the Board in January 2007; (iii) approve the 2008 Stock Plan adopted by the Board in January 2008; and to (iv) ratify the appointment of Hansen Barnett & Maxwell, P.C. as our independent registered public accounting firm for the year ending December 31, 2008.

The following table provides the number of votes cast related to each proposal:

| | For | Withheld | Against | Abstained |
|---|---|---|---|---|
| Proposal #1 - Electon of Directors | | | | |
| Iehab J. Hawatmeh | 680,119,093 | 61,968,528 | - | - |
| Fadi Nora | 678,749,497 | 63,338,124 | - | - |
| Proposal #2 - 2006 Stock Plan | 71,000,103 | - | 18,870,415 | 2,678,680 |
| Proposal #3 - 2008 Stock Plan | 71,068,749 | - | 18,812,449 | 2,668,000 |
| Proposal #4 - Ratifcation of auditors | 688,582,065 | - | 27,163,735 | 26,341,819 |

## Item 5. Other Information

At present we have no separate Audit, Nominating, Compensation, or Corporate Governance committees of the Board of Directors. All decisions and activities normally conducted by such committees are performed by the full Board of Directors.

## 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). |



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| 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). |

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|---|---|
| 10.15 | Loan Agreement dated as of May 24, 2006, by and among Diverse Talent Group, Inc., Christopher Nassif, and Diverse Media Group Corp (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2006, and incorporated here in by reference). |
| 10.16 | Promissory Note, dated May 24, 2006 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2006, and incorporated here in by reference). |
| 10.17 | Security Agreement, dated as of May 24, 2006, by and between Diverse Talent Group, Inc., and Diverse Media Group Corp. (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2006, and incorporated here in by reference). |
| 10.18 | Fraudulent Transaction Guarantee, dated as of May 24, 2006 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 2, 2006, and incorporated here in by reference). |
| 10.19 | Securities Purchase Agreement between CirTran Corporation and ANAHOP, Inc., dated as of May 24, 2006 (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on May 30, 2006, and incorporated here in by reference). |

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| 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).

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| 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). |
| 10.26 | Warrant for 20,000,000 shares of CirTran Common Stock, exercisable at $0.15, issued to Albert Hagar (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 6, 2006, and incorporated here in by reference). |
| 10.27 | Warrant for 10,000,000 shares of CirTran Common Stock, exercisable at $0.15, issued to Fadi Nora (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 6, 2006, and incorporated here in by reference). |
| 10.28 | Warrant for 10,000,000 shares of CirTran Common Stock, exercisable at $0.25, issued to Fadi Nora (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 6, 2006, and incorporated here in by reference). |
| 10.29 | Warrant for 23,000,000 shares of CirTran Common Stock, exercisable at $0.50, issued to Albert Hagar (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 6, 2006, and incorporated here in by reference). |
| 10.30 | Marketing and Distribution Agreement, dated as of April 24, 2006, by and between Media Syndication Global, LLC, and CirTran Corporation (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on July 10, 2006, and incorporated here in by reference). |
| 10.31 | Lockdown Agreement by and between CirTran Corporation and Cornell Capital Partners, LP, dated as of July 20, 2006 (previously filed as an exhibit to the Company's Registration Statement on Form SB-2/A (File No. 333-128549) filed with the Commission on July 27, 2006, and incorporated herein by reference). |
| 10.32 | Lockdown Agreement by and among CirTran Corporation and ANAHOP, Inc., Albert Hagar, and Fadi Nora, dated as of July 20, 2006 (previously filed as an exhibit to the Company's Registration Statement on Form SB-2/A (File No. 333-128549) filed with the Commission on July 27, 2006, and incorporated herein by reference). |



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| 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 |

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| | 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, 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 |

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| | January 1, 2007 (previously filed as an exhibit to the Company's Annual Report for the year ended December 31, 2006, filed with the Commission on April 17, 2007, and incorporated herein by reference) |
| 10.44 | Amendment to Employment Agreement for Trevor Siliba, dated January 1, 2007 (previously filed as an exhibit to the Company's Annual Report for the year ended December 31, 2006, filed with the Commission on April 17, 2007, and incorporated herein by reference) |
| 10.45 | Amendment to Employment Agreement for Richard Ferrone dated February 7, 2007 (previously filed as an exhibit to the Company's Annual Report for the year ended December 31, 2006, filed with the Commission on April 17, 2007, and incorporated herein by reference). |

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| 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, |

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| | 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). |
| 10.55 | Exclusive Manufacturing, Marketing and Distribution Agreement between CirTran Corporation and Shaka Shoes, Inc., a Hawaii corporation (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on February 11, 2008, and incorporated herein by reference). |
| 10.56 | Amendment Number 3 to Amended and Restated Investor Registration Rights Agreement, between CirTran Corporation and YA Global Investments, L.P. (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on February 12, 2008, and incorporated herein by reference). |
| 10.57 | Amendment Number 6 to Investor Registration Rights Agreement, between CirTran Corporation and YA Global Investments, L.P. (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on February 12, 2008, and incorporated herein by reference). |
| 10.58 | Agreement between and among CirTran Corporation, YA Global Investments, L.P., and Highgate House Funds, LTD (previously filed as an exhibit to the Company's Current Report on Form 8-K, filed with the Commission on February 12, 2008, and incorporated herein by reference). |



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| 10.59 | Promissory Note (previously filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on March 5, 2008, and incorporated herein by reference). |
| 10.60 | Form of Warrant (previously filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on March 5, 2008, and incorporated herein by reference). |
| 10.61 | Subscription Agreement between the Company and Haya Enterprises, LLC (previously filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on March 5, 2008, and incorporated herein by reference). |
| 10.62 | Promissory Note (previously filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on April 7, 2008, and incorporated herein by reference). |
| 10.63 | Subscription Agreement (previously filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on |

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| | April 7, 2008, and incorporated herein by reference). |
| 10.64 | Promissory Note (previously filed as an exhibit to the Current Report on Form 8-K, filed with the Commission on May 1, 2008, and incorporated herein by reference). |
| 31.1 | Certification of President |
| 31.2 | Certification of Chief Financial Officer |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350 - President |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350 - Chief Financial Officer |



SIGNATURES

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

CIRTRAN CORPORATION

/s/ Iehab Hawatmeh

Dated: August 14, 2008

By: Iehab Hawatmeh
President and Principal Executive Officer

/s/ David Harmon

Dated: August 14, 2008

By: David Harmon
Principal Financial and Accounting Officer