CALIBRUS, INC.
Form 10-K
April 16, 2012

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

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

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

For the transition period from ________ to __________

Commission File Number: 000-53548

Calibrus, Inc.
(Exact name of registrant as specified in charter)

Nevada State or other jurisdiction of incorporation or organization	86-0970023 (I.R.S. Employer I.D. No.)
1225 West Washington Street, Suite 213, Tempe, AZ	85281
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (602) 778-7500

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	N/A

Securities registered pursuant to section 12(g) of the Act:

Common Stock, $0.001 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act

Yes o No x

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 past 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 o

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

Yes x No o

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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.

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

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

Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter: The Company’s stock last traded on April 13, 2011 at $.15 per share giving the shares held by non-affiliates a value of $1,512,723. Since the Registrant does not have an active trading market these numbers may not be a reliable indication of the share price.

As of April 4, 2012, the Registrant had 13,808,580 shares of common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the part of the Form 10-K (e.g., part I, part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or other information statement; and (3) Any prospectus filed pursuant to rule 424(b) or (c) under the Securities Act of 1933: NONE

PART I

ITEM 1. BUSINESS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This periodic report contains certain forward-looking statements with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing products, plans and objectives of management. Statements in this periodic report that are not historical facts are hereby identified as “forward-looking statements.”

Overview

Calibrus, Inc. is a technology based company established in 1999. We have two business units that leverage our technology capabilities. We have provided Hosted Business Solutions for ten years and now plan to expand our offerings to offer a social networking site called JabberMonkey (Jabbermonkey.com) and a location-based, social networking application for smart phones called Fanatic Fans.

Through our Hosted Business Solutions, we provide Third Party Verification (TPV) Services, Hosted Call Recording Services and Interactive Voice Response/Voice Recognition Unit (IVR/VRU) Services to some telecom, cable and insurance companies. We estimate that we have processed over 50 million live agent calls/recordings and 5 million IVR calls/recordings to date serving these companies. With over 75 employees, the latest equipment and in-house designed software and solutions, we are the hosted solution company that companies can trust with their data.

Our technology provides us with the ability to provide fully-integrated live voice, data, and automated services and combinations of services out of a unified platform. Our system’s processes and functionality allow our IT staff to easily design and build systems that satisfy clients’ process requirements. Using our technology has allowed us to develop and build customized web-based solutions incorporating call recording, “click to call” and voice message broadcast functionality.

Calibrus has leveraged our technology capabilities to expand into the growing market of social marketing. Leveraging the software development experience we have obtained over the last 10 years, we created the site JabberMonkey.com. JabberMonkey is a site where users can have an interactive experience of asking questions of other members, post comments and have ongoing interactive video and text chats. We have also developed a location based social networking application that focuses on live events such as sporting events and music concerts.

Calibrus Products and Services - Calibrus Hosted Third Party Verification (TPV) Services

Calibrus' Third Party Verification service is easy to use and offers both Live Operator and IVR/VRU Third Party Verification services. Calibrus’ Live Operators process thousands of TPV calls daily. To date, Live Operator TPV has been the solution of choice for several of our largest customers. Live operators offer the best customer experience and typically higher success rates over IVR/VRU solutions. Our Automated IVR (Interactive Voice Response)/ VRU (Voice Recognition Unit) solution offers a low-cost alternative to a live voice agent while ensuring compliance with both FCC and State PUC (Public Utility Commission) Third Party Verification requirements. Our IVR systems feature intuitive scripting to automatically ensure the correct questions are asked. Our custom IVR solutions enable client’s customers to easily opt-out to a live agent at any time if they require personal attention.

What is Third Party Verification?

Third Party Verification is the confirmation of a customer's order by an independent third party. This process protects both the customer and the company selling services from fraud and slamming/cramming of products onto their lines. Once the sale has been made, the customer is transferred to an independent Third Party, such as Calibrus, that will read a pre-determined script to which the customer will answer yes or no.

In 1996, the Federal Communications Commission, FCC, enacted the Telecommunications Act which forced the Regional Bell Operating Companies to open their lines to competition. Accordingly, telecom companies were required to allow competitors to lease their lines and provide service to customers at a rate set by each individual State's Utility Commission. This was to promote competition and help new competitors compete with the larger telecom companies on a level playing field. Unfortunately, this led to another phenomena called slamming, customers being switched from one company to another without their approval, and sometimes without any knowledge whatsoever until they received their bill.

In response to slamming, legislation was enacted that required companies that were changing a customer's dial tone or long distance to their services would have to first obtain the customer's approval in one of three ways:

- A written and signed Letter of Authorization indicating that customer agrees to the change.
- An automated or live agent independent third party that the customer is transferred to for the verification.
- An electronic Signature on an electronic Letter of Authorization, usually done on websites.

Calibrus fulfills the second requirement, providing both automated IVR/VRU and Live Agent Third party Verification Services for our clients.

Automated IVR/VRU Service Highlights

- Dual Channel Recording to Eliminate the Loss of Interactions/Customer Statements
- Very Low Implementation and Ongoing Cost
- Simple to Set Up, Implement and Launch
- Close to Real-Time Call Record and File Retrieval and Posting
- Dedicated Management and IT Resources, 24/7 Availability
- Superior Value and Cost Competitive IVR Services

Our automated IVR verification method provides customers with a pre-determined script to comply with each client's unique verification requirements. The following diagram demonstrates our basic Automated IVR Process Method:

Our Automated IVR/VRU TPV services are priced on per transaction or per minute usage.

Live Operator TPV

In addition to our automated TPV services, we also offer Live Operator TPV Service. When customers want to provide live interactions with ultimate flexibility, our Live Operator Services can be used in conjunction with our automated TPV services or as a stand alone service. Customers that select our Live Operator service offering will see several benefits, such as:

- Better Customer Experience
- Superior Universal Language Coverage (i.e. Spanish, Chinese, Japanese, Korean, etc.)
- Documented Higher Success Rates (success rates average over 96%)
- Higher Success Rates Mean:
  - Less Back Room Clean-up Expense
  - Fewer Lost Sales due to Non-Verified TPV’s
- Close to Real-Time Call Record and File Retrieval and Posting
- Cost Competitive Live Operator Answering Service

Calibrus has developed a TPV process that allows for a very efficient transfer of data from a sales agent to a Calibrus Live Operator. This process reduces call lengths, agent errors, and TPV costs. The following is a diagram of our Live Operator TPV Process Method.

Our Live Operator Third Party Verification solution helps our customers meet compliance requirements and improve their overall business processes. TPV revenue accounted for approximately 98.5% of the Company's total revenue. For 2011, 77.1% of our TPV revenue was derived from Live Operator services and 21.6% was derived IVR/VRU services. Our TPV services are priced on per transaction or per minute usage.

VOIP Verifications

Calibrus Live Agent VOIP Verifications provide a solution for customers that want to provide live interactions with the ultimate flexibility. Automated IVR Verifications is a low-cost alternative to a live voice agent that still complies with both FCC and State PUC Third Party Verification requirements. Intuitive scripting ensures the correct questions are automatically asked. Customers can easily opt-out to a live agent at any time if they require personal attention.

Hosted Call Recording

Calibrus' Call Recording service is easy to use and cost-effective and offers a number of features necessary for a superior call recording solution. Calibrus' Hosted Call Recording solutions are an alternative for companies that do not wish to invest in expensive hardware, maintenance and support of a state-of-the-art call recording system.

Our Hosted Call Recording Features include:

- All Inclusive Pay-As-You-Go Pricing Model by the Minute or by the Transaction/Call
- No Maintenance, Upgrade, Programming, Site/Seat Licensing or Change Fees
- Call Record & File Access 24/7 Via a Secured Website for Easy Retrieval
- Customized Reporting Options
- High Quality Recording with Redundant Systems and Disaster Recovery
- Compatible and Flexible Process can be used with Virtually Any System
- Optional Quality Control Monitoring and Evaluation Services

Hosted Call Recording for the Insurance Industry

Our call recording solution assists insurance companies to record and retain valuable, mission critical conversations that occur during claim statements and interviews, while, we believe, improving efficiencies and reducing costs in the claims process.

Calibrus' recording process is easy to use, secure and completely customizable. Insurance adjusters can set up a call and start recording quickly without expensive equipment. The Calibrus system ties important information for the claim, claim number, interviewee name, and other information to the file so customers can sort it later. The adjustor dials into Calibrus and records the conversation with the claimant and simply hangs up when finished. The recording will be processed and available within minutes after the call is finished and accessible via the reporting website. If necessary, Calibrus can send a confirmation email to the adjuster that includes a hyperlink to the recording for easy retrieval.

Once the recording has ended a secure password protected web-based reporting website allows claims managers, compliance officers and executives to access the recordings of the claim statements and interviews in seconds. Indexing of the data such as claim number, insured name, interviewee name, and adjuster ID allows authorized individuals the ability to search on things such as claim number and find all associated recordings for that claim. The reporting website serves as a quality assurance and management tool as well, providing the ability to pull up all recordings for an adjuster ID, and listen to every call that a particular adjuster did that day.

For independent/contracted adjusters out in the field, Calibrus has developed an upload tool to provide insurance companies with the ability to combine all of their digital claims recordings, whether done internally or externally by contracted companies, into one database. The Calibrus upload capability allows external adjustors/interviewers to record interviews "on the street" and then upload them to the Calibrus database using a secure web portal. Independent adjusters can use any handheld recorder that can download a recording into a .wav file format onto their computers.

The upload process is very simple to use: Access the secure web portal, enter in the information into the portal to be tied to the recording, mark the "Upload" existing file checkbox, identify the file and hit submit. The file is then uploaded into the Claims Recording Database and is then available to pull in the reporting website. Calibrus offers insurance companies the ability to switch to a hosted solution without having to invest heavily into an internal recording solution. By using our hosted solution, customers forgo having to invest in hardware, software, site licenses, continuous upgrades, storage facilities and dedicated IT support. We handle all of that for our customers, and get a recording solution in place within weeks. Other benefits of using our solution are immediate access for playback of the recorded statement, back up redundancy of the digital .wav file for security purposes, enhanced call tracking and data analysis, ability by managers to quickly review calls and provide coaching easily, and customizable report capabilities. For 2011, .94% of our total revenue was derived from Call Recording services.

Voice Message Broadcasting (VMB)

Our web-based voice message broadcasting solution has the ability to contact hundreds to thousands of people in seconds. We can create dialing parameters based upon dialing lists, the message to be sent and the times to call out on, which can be adjusted to fit time zones across the nation. Customers can broadcast caller id and change and record their message in a matter of minutes.

Our voice message broadcasting programs can assist in:

- Retail Sales Alerts
- Thank You Messages
- Direct Customers to your Website
- Relationship Calls – Happy Birthday, Anniversary, etc.
- Political Campaigns – Get out to Vote
- Customer Loyalty Campaigns to Repeat Customers
- Meeting/Conference Notifications

- Fundraising
- Sports Team Advertising
- School and Emergency Notifications

Calibrus Click-To-Call Services "ClickTalk"

Calibrus "ClickTalk" service allows customers to put a button or icon on a website or web-listing that will allow customers to contact others by telephone automatically and anonymously. The "ClickTalk" functionality has a variety of uses:

- Call Tracking
- Lead Generation
- Save Sales on Cancellations
- Online Phone Surveys
- Real Estate Listings

When someone presses the Calibrus "ClickTalk" button a pop up appears so that they can enter their phone number. Once a phone number is entered and they hit the submit button, the Calibrus system places an outbound call to them and once they have answered our system places a second call to a pre-programmed number and connects you with the customer. Currently we are not providing any click to call services.

Call Center Services

Calibrus, Inc. has been delivering call center services since 1999 to large and small businesses. Calibrus live operator agents can provide call center services to customers who want to grow their business or handle temporary, seasonal or overflow volume.

Several call center services Calibrus can provide are:

Outbound	Inbound
Cold Calls	Customer Support/Help Desk
Outbound Telemarketing	Order Taking/Fulfillment
Phone Surveys	Answering Service
Lead Qualifying	Sales Verifications
Direct Mail Follow up	Seminar Sign-up
Fundraising	
Political Campaigns	
Internet Sales Verifications	
Collections	

For 2011, the Company was running one Customer Support program for a customer in the healthcare industry. Revenue related to this program totaled $4,626.

SpeechTrack.com

Calibrus has developed a hosted call recording utility that anyone can use from any phone. Through the SpeechTrack.com website anyone can record a phone conversation whether they are at work, home or on a cell phone. SpeechTrack enables phone conversations to be recorded easily, and securely, at a low per minute cost. SpeechTrack is an ideal solution for any individual, independent professional or small business owner. SpeechTrack is a hosted solution that requires no hardware or software to be purchased. SpeechTrack can also be used for dictation purposes. Customers can access their recordings online on SpeechTrack's secure website. Customers can add notes to the recording file to keep track of their calls and they can also download the recordings to their computer. Our plan is to market SpeechTrack.com to small to midsize businesses and individual professionals through several different marketing channels, including internet advertising, radio ads, forums, blogs and traditional print media.

Businesses and individuals use SpeechTrack for:

Staffing and Training
Protection/Disputes/Resolution – Prove "who said what" in a dispute
Confirmation of Agreements or Document Replacement
Compliance
Best Practice/Advice or Instructions

SpeechTrack users use our service for a myriad of purposes. Below is a partial list of just some of the types of independent professionals/small business owners that may utilize Speechtrack.

Attorneys
Accountants
Contractors/Vendors
Doctors
Executive Coaching
Service Providers
Sales Professionals
Private Investigators
Project Manager/Coordinators
Insurance Agents
Mortgage/Financial Brokers
Conference Calls
Market Researchers

Technology

Using software based PBX (public exchange system – best known as a telephone switch), ACD (automated call distribution), network equipment, data storage arrays, and servers; we have developed object oriented software application building blocks and relational databases. Because we record every verification conversation digitally, our system allows clients to be actively involved in monitoring and managing our services through secure Internet sites, VPN (virtual private networks), and dedicated point-to-point connectivity. By allowing near real time review of data and verification conversations, this infrastructure allows our clients to actively participate in the management of their programs. We virtually eliminate data errors because the majority of the data is transferred electronically.

Redundancy and Safeguards

Calibrus has worked diligently to provide the necessary redundancy and disaster recovery requirements to our clients. We offer a number of safeguards for our clients including separate power generation units in the event of a failure by the utility; we have UPS's (uninterrupted power supply) for all network and telecom equipment; we have a UPS on every agent station and our system up-time was over 99.9% for the last two years. For telecom access Calibrus utilizes two separate long distance providers that both have multiple access points into the Phoenix Metro area. One telecom company provides the primary number while the second provides the back-up number to prevent any downtime that could arise in a particular company's network.

Calibrus' facilities, equipment and technology are structured to ensure uptime and eliminate the worry of fiber cuts which could disrupt our business. Since Calibrus is connected to the telecom's network, we are able to install additional T1's or PTP (point-to-point) data circuits on a significantly reduced timeframe. It is common to have new circuits delivered and functioning within 10 business days, much quicker than the 30-45 business days most companies will receive. Calibrus uses multiple telephone switches, firewalls, routers and networks; and have automated tape back-up guards against data loss, corruption and down time.

The Company's technology is capable of receiving and interpreting automatic number identification information. Calibrus can then use this information in conjunction with our computer telephone integration functionalities for reporting and indexing functionality.

Security

Calibrus understands the need to protect data belonging to our customers. With that understanding, we have developed strict guidelines to protect customer information. Controlled access to data centers, physical security measures, and strong passwords on all network equipment ensures that only authorized personnel can gain entrance to sensitive areas and protects Calibrus' internal vulnerabilities. Firewalls, Access Control Lists and VPNs ensure that data is safe from external vulnerabilities.

We do offer several levels of securing access to our client's data, as it can vary from client to client. With the web based utility that some clients utilize we offer password protection and unique individual logins that can be completely controlled and maintained by the client by a custom interface, which can also be password protected, if necessary. Some of our clients find that task to be burdensome due to their number of agents and managers. For those specific clients, if they are coming through a proxy, we can limit access to the websites, both agent entry and to trusted internet protocol. This would limit the access to only those that are coming through the company's client side channel to the Calibrus website.

Reporting

Calibrus custom builds all reports to suit our client's needs because we have found that the information that each customer requires may be different from the information required by another customer. All telephone switches are centralized in our server databases and therefore, we can easily relate customer data with call data. As a result, we can custom build reports to the specifications of our clients and provide the data in any format to the client: Excel, fixed length and comma delimited, and deliver it in multiple ways, such as through a website, Web Service, e-mail, connect direct or FTP (file transfer protocol). We build all return files to client specifications and can deliver them at the times the client requests.

Regulations

Third Party Verification is mandated by both the FCC and State PUC agencies. Third Party Verification is the confirmation of a customer's order by an independent third party. This process protects both the customer and the company selling from fraud and slamming/cramming of products onto their lines. Once the sale has been made the customer is transferred to an independent Third Party that will read a pre-determined script to which the customer will answer yes or no.

In 1996, the Federal Communications Commission, FCC, enacted the Telecommunications Act which forced the Regional Bell Operating Companies to open their lines to competition. Accordingly, they were required to allow competitors to lease their lines and provide service to customers at a rate set by each individual State's Utility Commission. This was to promote competition and help new competitors compete with the large corporations on a level playing field.

This led to another phenomena called slamming, customers being switched from one company to another without their approval, and sometimes without any knowledge whatsoever until they received their bill.

In response to this, legislation was enacted that required companies that were changing a customer’s Dial Tone or Long Distance to their services would have to first obtain the customer’s approval in one of three ways.

- A written and signed Letter of Authorization indicating that customer agrees to the change.
- An automated or live agent independent third party that the customer is transferred to for the verification.
- An electronic Signature on an electronic Letter of Authorization, usually done on websites.

Calibrus fulfills the second requirement, providing both automated IVR, and Live Agent Third Party Verifications Services for our clients. Third Party Verification though intended to be a protection for the customer, is also a protection for the company initiating the switch as well. The necessity for TPV prevents companies from switching customers without their approval, and it also prevents a customer, or another company, from alleging that the company switched a customer without their approval. The protection that TPV provides for the company is critical as the fines levied by the FCC and the State PUCs can run in the millions of dollars and also include the loss of the ability to sell telecommunications products in a specific area.

Even though Calibrus acts as a Third Party Verification provider, Calibrus is not directly subject to any regulations. The service or process that we provide for our clients does have several defined rules and regulations that must be followed. For example, scripts that are implemented and used in both our Live Operator and IVR/VRU TPV services must be read verbatim to the customer. There are certain pre-defined questions that must be asked to the customer and certain types of information must be gathered from the customer in order for the TPV to be verified. The FCC and each State PUC has varying requirements in regards to the information that must be communicated to the customer and the information that must be captured. In addition, there are record keeping requirements for both data and voice for each Third Party Verification transaction. Whether the TPV is conducted by a Live Operator or IVR/VRU TPV there must be a voice recording of the customer responding to the script and the data that was captured during the transaction must also be recorded. The voice recordings and associated data must be archived and made available for up to thirty six (36) months.

Competitors

Calibrus faces numerous competitors both within and outside the United States. Many of Calibrus' competitors are much larger and better financed. The only barrier to entry in Calibrus markets is sufficient start up capital to buy initial equipment and such costs are not substantial. With the low barriers to entry, Calibrus faces competition from a large number of competitors with similar capabilities. Most call centers, both inside and outside the United States, either have similar technology or could develop similar technology. We initially were able to stay ahead of competitors by having a low cost business model but many competitors have reduced their costs to be similar to our costs. As such, the competition for customers has become more competitive.

Some of Calibrus' competitors include VoiceLog, now owned and operated by BSG Group, 3PV and Data Exchange. Although these are some of the larger competitors there are a substantial number of competitors of similar size to Calibrus that we compete against. Calibrus competes with these competitors for business by offering superior quality of service that is reliable and low cost in the market. Even with quality of services that we believe we offer, competition in our industry generally comes down to pricing. As such, there is constant pressure on margins and the need to keep costs low to be able to effectively compete in our industry.

Concentration of Customers

As the number of telecommunications companies has decreased, we have seen a concentration of revenues coming from two primary customers. In 2007 AT&T Communications and Cox Communications exceeded approximately eighty percent of our revenues for the first time. In 2011 Frontier Communications experienced a high volume and revenue increase due to their acquisition of 13 Verizon states land line operations. As a result of this they have decreased our concentration in AT&T and Cox. Currently nearly eighty percent of our revenues are still derived from three customers. For the years ended December 31, 2011 and 2010, AT&T Communications accounted for 50.6% and 68.1% and Cox Communications 16.7% and 16.6%, respectively, of our revenues. Frontier Communications accounted for 15.0% and 1.5% in 2011 and 2010, respectively. This revenue is derived from our TPV business. If we were to lose one of these customers before our other business lines start generating more revenue, it could have a detrimental effect on our ability to stay in business. We are actively moving away from the TPV business being our primary operations and are hopeful that we will be able to reduce our reliance on these customers. We made the decision to diversify our product offerings based on our belief that consolidation in the telecommunications industry has reduced the number of telephone customers changing carriers. As such, the need for third party verification has decreased. We believe there will continue to be customers changing phone carriers but as the number decreases the revenue we receive from our third party verification business continues to decline. We believe it is prudent to seek other sources of revenue.

Our contract with AT&T expired on December 31, 2009. We signed two short-term contract extensions with modified pricing through March 2010. On April 8, 2010 the Company signed a new contract with AT&T. The contract sets forth our pricing terms and provides the conditions on which we are to provide service to AT&T including that our services are deemed performed when provided. AT&T renewed the contract for a one year period in 2011. The renewal included a 2.5% pricing discount per the terms of the original contract signed in 2010. The Company also signed a new contract with Frontier Communications in May of 2011 which was done in conjunction with Frontier's acquisition of 13 Verizon State landline operations.

Calibrus Social Media Products and Services - JabberMonkey.com and Fanatic Fans

Fanatic Fans

In the second half of 2010 we commenced development of a location based social networking application for smart phones called Fanatic Fans. The Fanatic Fans application has been live on the Apple App Store and Android Marketplace since April of 2011.

Fanatic Fans informs fans about upcoming live events in the Sports and Music industries by giving users the ability to interact with live events, share their experiences, and earn rewards for attending live events. Users can browse a calendar of upcoming events which can be segmented by region and artist. Users can get detailed information on the event and discuss the event with other fans. While at an event users can share their experiences with social networks Facebook and Twitter, and communicate with other people at the event. Users can unlock virtual awards and earn virtual points in recognition of attending events. Within their profile users can browse and view the items they have unlocked and receive news on their favorite artists. Finally, users can redeem their virtual points for food/drinks, apparel and purchase event tickets in the application award section.

Fanatic Fans rewards fans for their support of their favorite sports team, music artist or band. National and local businesses market to fans that attend the events by listing promotions (goods and services) on our application. Businesses list their promotions (i.e. After the Diamondbacks Game Come to Hanney's Restaurant and Receive "One Free Beer" or "50% Off any Appetizer!" Redeem for 50 Points) and users can view and redeem these promotions and offers that are specific to their interests. Fanatic Fans offers contests and provides recognition to the most Fanatic Fans.

Functionality

When a user is at an event the app automatically determines the event their attending using the phones GPS. The user is able to view information on the show including a list of the artists performing at the show. There is a forum that users can make comments about upcoming events which also allows fans to interact with one another while at the show. Comments made by users can go directly to Facebook and Twitter if the user choose to link their Fanatic Fans account. While attending an event users can check in. By checking in the user will unlock a virtual award which can also be published to Facebook and Twitter. Users also earn virtual currency by checking into a location. After checking in the user will return to the comments page where they can continue to read and add comments about the show.

When users are not at a show they use Fanatic Fans to locate upcoming shows. They browse a calendar of all upcoming shows and sort by location and the artists that they follow. Users get information on the show including; time, location, and performing artists. Users can view tips created by other members and add tips of their own. Finally users confirm that they are going to attend an event and tell their friends by publishing to Facebook and Twitter.

Fanatic Fans features a profile page which allows users to view their past activity within the app and receive news updates on their favorite artists. They are able to view all of the awards that they have unlocked, and all the shows that they have attended. They also receive the latest news posts of some of their favorite music artist. Finally, users can adjust their personal settings from their profile including which artists they wish to follow, their home town, and their Facebook and Twitter account information.

Basic Functionality of Fanatic Fans

Check into an event
Get information on the event
Communicate with other fans at the event using a messaging board
Post comments, pictures and videos
Post comments, pictures and videos to Facebook and Twitter
Unlock virtual awards
Earn virtual points and badges
Look up upcoming events in your area, and entire tour schedules of your artists
View all your awards and your rank among other users
Redeem your points for goods
Vendor/Business can list promotions for users to redeem Fanatic Fan virtual points
Buy tickets to live events through a third party

Fanatic Fans Website

Live event content that is posted from users using Fanatic Fans is available to view on the Fanatic Fans website. Comments, pictures and videos uploaded to the Fanatic Fans app by fans using their mobile phone attending live events are instantly saved on the FanaticFans.com website. Users can watch videos, view pictures and see what people are saying about live sports or music events in real-time. As fans express and share their excitement users can join in and make comments, upload pictures and videos before, during and after the live event and share to Facebook and Twitter.

Additionally, on FanaticFans.com website users can view a complete listing of discount offers by merchants on food, drinks, merchandise and tickets. Users can check out all upcoming sports and music events in their area and other cities around the nation and review all of their live event comments, pictures and videos in their profile page.

Fanatic Fans Facebook Application

The Fanatic Fand Facebook application allows sports and music fans to view user generated content and experience the live event on Facebook using the Fanatic Fans Facebook app. Fanatic Fans Facebook app allows Facebook users to access all live event sports and concert content without ever having to leave Facebook. Users can see photos and videos that fans took of their favorite sports team and/or music artist in real-time and hear what they thought of the big game or concert.

With the Fanatic Fans Facebook app Facebook users can see their favorite live events. Fanatic Fans app features a calendar of all sports and music events by region. Users can look up the location and time of an event and get a map with directions showing them exactly how to get there. When a user sees an event they are interested in they can share it with their Facebook friends, buy tickets to the event, make comments, post videos and pictures before, in real-time during, and after the event.

Facebook users can earn rewards for attending their favorite live events and using the Fanatic Fans Facebook or mobile applications. Facebook users can access a complete listing of merchant discount offers on food, drinks, merchandise and tickets and look up discounts nearby and redeem rewards using the Fanatic Fans mobile application.

Competition

Fanatic Fans will be entering into one of the fastest growing segments of location based social networking and as such will face intense competition from applications such as Foursquare and Gowalla. Competitors in this space are very well financed and have the advantage of having already captured consumers that may be unwilling to switch to a new application. At this time, we have no intellectual property protection and are only now preparing preliminary patent and trademark filings. It is still unknown if any of our filings will lead to actually receiving provisional patents or final patents or trademarks.

Start-ups, such as SuperGlued and Flow'd, are recognizing the opportunities presented in specific market verticals related to check-in. Niche strategy is likely to be the next wave in location-based social-networking and we believe this is where the greatest opportunity for frequent sustained usage exists.

Marketing

Fanatic Fans marketing will develop awareness by cultivating partnerships with Universities, utilizing traditional advertising mediums and implementing web 2.0 marketing techniques with the goal of delivering Fanatic Fans to the right people at the right place. We will utilize in-house personnel and outside agency’s to make Fanatic Fans relevant to its target audience. Fanatic Fans is a global application but our arketing strategies will initially be very targeted to just several geographic locations.

Fanatic Fans has partnered with Grand Canyon University, a school with 5,000 students in Phoenix, AZ and Denver University a school with 12,000 students in Denver, CO. Fanatic Fans has signed a Co-marketing agreement with each school which calls for the following marketing initiatives by the Universities.

- Promotion of Fanatic Fans at home games
  - Co-develop unique promotions or contests to help increase user sign-up’s and fan loyalty within its fan base.
  - Advertising for Fanatic Fans pre-event and during live events in the form of announcements, electronic display, and other appropriate forms as determined by the University.
  - Provide booth space for Fanatic Fans at University events
- Fanatic Fans Promotion by University
  - Market Fanatic Fans to Student Body fan club
  - Market Fanatic Fans to Alumni
  - Market Fanatic Fans to Season ticket holders
  - Market to current University Vendors that advertise at the live events
  - Marketing is to include the following:

    Email notifications making the University fan base aware of the Fanatic Fans partnership and benefits.

    Posts on the University athletics social network pages including Facebook and Twitter.

    Articles and advertisements in applicable University print media.
- Allow Fanatic Fans rewards points to be used for discounts on University tickets and merchandise.
- Place a Fanatic Fans link on University athletics website.
- Fanatic Fans will be able create Press Releases announcing our partnership with the University.

Fanatic Fans has engaged the Artigue Agency a local marketing company in Phoenix, AZ to assist with the Fanatic Fans Marketing & Public Relations campaign. Fanatic Fans will utilize the Artigue Agency in certain marketing areas that provides the best value and highest impact for creating Fanatic Fans app awareness and obtaining downloads.

The Artigue Agency, along with IMG, performed Event Marketing at every home football game of the Arizona State University Football games during September 2011– December 2011. Fanatic Fans was positioned in front of the college football target audiences by participation in various media advertisements.

Additionally, Fanatic Fans has developed a Fanatic Fans website and Facebook application whereby individuals can access the website to view Fanatic Fans event content from the online website as well as Facebook users can access the Fanatic Fans content posted on Fanatic Fans without ever having to log out from their Facebook account. Facebook users will be able to access live event content such as comments, pictures and videos posted by Fanatic Fans. The Fanatic Fans Facebook app is currently available for download in the App section of Facebook.

Revenue Model

Our initial revenue model will be based on advertising. As such, we do not anticipate any revenue for some time. To be able to sell advertisements we will need to have a certain level of users. If we are not able to attract sufficient users, we will not be able to sell any advertisements.

The Company also intends on generating revenue from monthly fees for businesses listing promotions inside of the application. To be able to charge businesses a monthly fee we will need to have a certain level of users on the app. If we are not able to attract sufficient users, we will not be able to charge a monthly fee.

Lastly, we intend to partner with one or several ticketing companies and achieve a revenue share agreement for tickets that are sold to live events through the Fanatic Fans application. To be able to achieve a revenue share agreement we will need to have a certain level of users on the app. If we are not able to attract sufficient users, it may be unlikely that we can achieve a revenue share agreement with any ticketing company.

Technology

The Fanatic Fans application can be used by Apple and Android Smart Phones. The application will utilize GPS functionality built into smart phones along with existing data and Wi-Fi capabilities.

Development

The Company has developed both an iphone and Android version of Fanatic Fans and the Fanatic Fans website and Fanatic Fans Facebook Application. We currently have a development team continuing development on new enhancements to both our iphone and Android apps and website and maintenance to the Fanatic Fans applications.

JabberMonkey.com

JabberMonkey is a social expression site that features questions on issues and topics that are current and relevant to its members. JabberMonkey questions are on pertinent issues that in many instances evoke an emotional response from its members. Many of the questions on JabberMonkey provide the individuals voting with a voice to cause an action or affect a result.

There are many emotional issues or events that occur around the world that JabberMonkey posts questions about allowing JabberMonkey members to express themselves, participate and cause an action or outcome. One could imagine what some of these might be:

• A famous rock band might participate with JabberMonkey and allow JabberMonkey members to vote on the songs and the order the songs would be played at their next concert.

A business wants to get individuals to provide feedback and name their next product. JabberMonkey members can vote, provide feedback about the product and name the new product.

• A famous sports athlete through a video blog asks the question "if I win the US Open Golf Tournament what charity should I donate $250,000 of the $1,000,000 prize money?" Whichever charity has the most votes, wins and that is who will get the money.

a) American Red Cross
b) PETA
c) The Make a Wish Foundation
d) Boys and Girls Club of America
e) Breast Cancer Research Foundation

JabberMonkey members vote and provide their comments on an issue and then see instant feedback on how others are feeling about a topic or issue and view comments made by others. JabberMonkey members express themselves by answering questions, posting their own questions, text blogging, video blogging, participating in forums, creating profiles, posting videos, photos, audio files, and rate other JabberMonkey members questions and content.

JabberMonkey members are able to meet new people and make new friends. When answering a question or participating in a group, members can meet people with similar interests and are able to become friends on JabberMonkey. They can then communicate via messaging, chat, and video voice calling as well as sharing photos, videos and other electronic media.

JabberMonkey questions range across all categories of life, and run the gamut from serious to silly. The categories and sub-categories will allow for targeted feedback. Categories range from Entertainment to Music and Business, etc. Each category contains subcategories to encompass a wide range of topics and interests.

In addition to being able to conduct polls and questions, JabberMonkey offers a unique user experience by being able to offer interactive communication and high definition video. While most social networking sites offer only a static page for the user, JabberMonkey offers video communications between multiple users at once, the ability to quickly load video, and the ability to set up groups or companies into secure sites. JabberMonkey also takes advantage of other companies' storage by allowing links to other web sites such as YouTube or Google.

Calibrus' focus has been to develop and distinguish JabberMonkey from the other social networking sites, which are very static and rely only on instant messaging and fixed web pages. Calibrus feels it has designed a site that is easy to use and is video intensive with user friendly software for video attachment and conferencing.

JabberMonkey completed its alpha testing and moved into beta testing in December 2009. The Beta testing ran through the end of November 2010 and the first official non-beta version of the website was released in December 2010. We do not have the capital required to commence our marketing plan related to the website and thus do not anticipate any revenue from JabbberMonkey until we can sufficiently launch a marketing campaign.

Competition

JabberMonkey will be entering into one of the fastest growing segments of the internet and as such will face intense competition from sites such as MySpace and Facebook. Although Calibrus believes the JabberMonkey site offers new features, it is likely the other sites will soon be able to offer similar features. Competitors in this space are very well financed and have the advantage of having already captured consumers that may be unwilling to switch to a new site.

At this time, we have no intellectual property protection and are only now preparing preliminary patent and trademark filings. It is still unknown if any of our filings will lead to actually receiving provisional patents or final patents or trademarks. Although we believe our site offers unique features, we cannot say if other companies are developing similar features to their social networking sites. Additionally, many of the features of our site could be developed by other sites with variations that could possibly get around any intellectual property protections we are able to obtain.

The competition we face will make it difficult to attract customers from established sites such as Facebook and MySpace given their financial capabilities. Additionally, we believe we have only a small window to establish our site as being unique before the other social networking sites are able to come up with similar offerings. If we are unsuccessful in the short term in establishing a unique site that draws consumers, it will be difficult to compete against the other sites that we assume are working on similar interactive features. Additionally, some of these sites are backed by the largest players in the industry such as Google which can provide financial support far beyond anything we can raise at this time or in the perceived future.

Marketing

Our initial marketing will be aimed at attracting consumers from focusing on affinity sites and limited advertising on college and sports talk shows. We believe initial consumers can be attracted through links on web pages at Facebook, MySpace and Twitter. However, to attract these users we first must establish JabberMonkey as a unique interactive experience that differs from the other social networking sites.

This initial marketing effort will be directed at targeted groups and communities which would see the advantage of being able to communicate on their topic areas and have on-line conversations. Such groups would be gamers, sports enthusiast, school communities, clubs and political or civic organizations. To this end, we are reviewing the cost to advertise on radio, particularly sports radio, and on certain online sites. As our capital for marketing is very limited, we may have to focus initially on one advertising market or focus on slow growth and word of mouth communications depending on the final development cost of the JabberMonkey site and how much capital we were able to raise.

Revenue Model

Our initial revenue model is based on advertising. As such, we do not anticipate any revenue for some time. To be able to sell advertisements on our site, we will need to have a certain level of users. If we are not able to attract sufficient users, we will not be able to sell any advertisements.

We will also look at data mining as another source of revenue. With our existing product line, we have gained some limited experience in data mining and believe it offers another revenue source to be able to obtain information from consumers using the JabberMonkey site and sell such information to companies that would be able to use the information in their advertising or other business needs. This would not be an initial source of revenue as we will have to have sufficient users to make data mining effective and it will have to be developed with a view to not drive away potential users.

We also are analyzing charging consumers for certain features of our site but at this time, we believe it is more important to drive consumers to our site and will make everything available for free and focus on advertising revenues. Once we obtain a certain level of users, we may start offering more products that we believe we can charge for such as storage or secure web pages for communications. At this time, we do not know when we would be able to start charging for such product offerings, if ever.

Development

The Company closed the alpha testing phase of development during December, 2009. The site reached the beta testing phase in the first part of December, 2009 and ran through November 2010. The first non-beta version of the website went into operation in December 2010. To date the Company has not begun to aggressively market the website due to a lack of sufficient capital.

During our alpha development we started limited testing on the software and functionality developed to run the JabberMonkey site. At this phase of development we had limited number of individuals, primarily our employees, testing the site and giving feedback as to its functionality. We also revised the software and tried to work out any issues found in the initial development. The beta stage of testing and development commenced in December 2009 and ran through November 2010. During the beta phase of development we expanded the number of users and continued testing and added enhancements to the functionality of the website.

Even after completing the beta phase, we could still have software and hardware development problems once the full launch of the site is made and additional users are added. We cannot say how our software and hardware will function under the strain of a large number of users.

Currently, JabbeMonkey is not engaged in new development but we do have several developers that maintain the JabberMonkey website.

Intellectual Property

In addition to our own development team, we have contracted with Meomyo Development out of India to assist in the development of our JabberMonkey website. Meomyo has expertise in the development of websites and interactive solutions for websites which our internal developers did not currently possess. Meomyo's contract gives the work product and intellectual property rights to Calibrus. However, even with the rights provided to Calibrus, we cannot prevent them from taking their knowledge gained by working on the JabberMonkey site and applying it to other web developments. The contract does attempt to limit the ability of Meomyo to provide services to competitors of Calibrus but given the geographical difficulty of policing an India company with offices in Dubai, it may not be possible to stop Meomyo from providing services.

We will be dependent in many ways, on our ability to launch our site and attract consumers before our competitors can develop features which would be a direct competitor to the features in our site. At this time, our ability to be able to attract consumers is unknown as we have only just completed the beta phase of development and released the website for general use and are not certain of the acceptance of our web site and interactive features.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts, including Duration

We protect some of our technology as trade secrets and, where appropriate, we use trademarks or register trademarks in connection with products and our core name. We currently have two patent applications on file with the US Patent and Trademark Office related to our JabberMonkey social expression website. We have two trademarks covering our name "Calibrus" and "JabberMonkey" and have also applied for a trademark covering "Fanatic Fans".

Research and Development Costs During the Last Two Fiscal Years

For the years ended December 31, 2011 and 2010 the Company incurred Research and Development Costs of $1,472,113 and $232,327, respectively. Research and Development expenses related to the continued development of the Company's JabberMonkey website and its additional project Fanatic Fans. We expect as we expand into new markets we will continue to incur additional research and development costs.

ITEM 1A. RISK FACTORS

Calibrus' operations are subject to a number of risks including, but not limited to:

Management's focus will be on the development and operations of JabberMonkey and Fanatic Fans, both of which are new businesses and we do not know if consumers will like the site or that we will be able to monetize the site to produce revenues.

Management made the determination in late 2008 that its existing business model was going to face continued revenue reduction due to the consolidation in the telecommunication industry. As such, management set out to develop alternative business operations that utilized the core expertise of Calibrus employees and technology. The result of this development was Fanatic Fans, a location based social networking application for smart phones, and JabberMonkey, a social networking site that features interactive communications among its participants as opposed to the more traditional static pages found on most social networking sites. As Fanatic Fans and JabberMonkey will increasingly be the focus of the business going forward, we will face competition from well established and funded companies. Additionally, as a new business there is no guarantee our Fanatic Fans and JabberMonkey offerings will be successful in attracting users. These factors create substantial risk for investors and the strong likelihood that any investment could result in the loss of an investor’s entire investment.

Both Fanatic Fans and JabberMonkey, are entering a very crowded social networking marketplace where existing competitors have years of experience, are well financed and have the name recognition to draw consumers none of which we possess.

Management has determined that the future direction of Calibrus will focus on its Fanatic Fans and JabberMonkey offerings. This puts Calibrus’ business focus in a very competitive field dominated by several very large and well financed companies such as Facebook, MySpace and Twitter and a number of mobile social networking applications for smart phones, such as Fouresquare and Gowalla. These companies have established an online presence and community that have become destinations in themselves and it will be difficult to make inroads into this space. Calibrus will be dependent on a new twist to entry into this space but in the end, all social networking sites have similar features and it is likely that if any part of the Calibrus offering becomes compelling, the competitors will adjust their offerings to be directly competitive with Calibrus. This creates substantial uncertainty on Calibrus’ ability to survive in this space or to be able to attract enough users to be able to monetize its site to produce revenues.

The revenue models for Fanatic Fans and JabberMonkey require we first obtain a sufficient number of users before we can sell advertisements or generate other revenue and it will take time to generate such users and to then monetize the site.

Fanatic Fans and JabberMonkey will be dependent on selling advertisements and finding other ways to monetize our users by selling add-on services. For a social networking site or application to be able to sell advertisements, they first must attract a sufficient number of users to gain the interest of advertisers in buying ads on the sites. It will take time and money to bring users to our site and application and there is no assurance any users will come. These time frames along with the general state of development create additional uncertainty as to the potential success of Calibrus. The site and application may not work as we plan and even if they do there can be no assurance any users will come, that advertisers will want to advertise or that Calibrus can monetize them. Additionally, it will be costly to maintain the offerings and market them to attract users.

We currently do not have any patents associated with our Fanatic Fans or JabberMonkey site and if we are not able to develop intellectual property protection around the offerings, we may not be able to prevent competitors from recreating our product offering.

We have filed for a trademark on our JabberMonkey name and received approval during the year ended December 31, 2010. We filed for a trademark for Fanatic Fans in July 2010. We do not have any intellectual property protection on the features and software behind Fanatic Fans or JabberMonkey. We have filed two patent applications with the US Patent and Trademark Office on various features of our JabberMonkey site. However, we do not know at this time if such applications will result in patents being issued. Even if we receive patent applications, there is no guarantee that one of our competitors will not be able to find a variation on our services that are not patent protected and be able to directly compete with our take on the social networking experience.

Calibrus' projections do not show revenue from Fanatic Fans or JabberMonkey for some time and it will be dependent on additional capital to fund operations and continued improvements until such revenue can be generated.

Since a certain level of consumers must become users of Fanatic Fans and JabberMonkey before we can be monetized to produce revenue, management is of the belief that it will have to raise substantial more capital to reach profitability and drive users to the offerings. With a lack of capital to execute on the marketing plans of the offerings it is unknown when and if the we will be able to attract the required number of users to successfully monetize them. It is likely stockholders will suffer further dilution as we raise additional capital and if management cannot raise additional capital stockholders would likely lose their most, if not all, of their investment. There is no guarantee that we could raise such future capital.

Our existing management team has no experience in operating a social networking business or any other web based business.

Our current management does not have any experience in operating a social networking site and has never operated a web based business. Our software developers experience has been in developing tools for businesses and focusing on call center software. We will be expanding on our internal capabilities and be dependent on outside software engineers to drive our development. If our management is not able to execute on our business plan, it is likely stockholders would lose their entire investment.

Our existing business has seen decreasing revenues

Our current revenue stream from TPV is decreasing and although management has worked to reduce expenses, we are losing money and anticipate we will continue to lose money for the foreseeable future. We cannot project when the new product offerings will be successful or if we will be able to return to profitability.

We currently have losses from operations and will need additional capital to execute our business plan.

We had losses from operations with a loss from operations of $3,316,838 and a net loss of $6,331,971 for the year ended December 31, 2011, and we have had to rely on new and existing capital to cover the losses. For the year ended December 31, 2011, our current assets have increased to $551,072. As consolidation has come over the telecommunications business, our TPV business has been reduced. We have been leveraging our technology capabilities to expand into new areas but it will take some time for the new areas to replace the loss in business from our TPV operations. If we are not able to generate sufficient revenues, we will be forced to seek additional capital to fund potential shortfalls. There can be no assurance that we will be able to raise additional capital or that we will be able to raise capital on terms that are favorable to Calibrus and current stockholders.

If we are not able to stop our losses or successfully expand into new areas, we may be forced to terminate operations.

With revenues from our main business, TPV, being reduced as a result of consolidation in the telecommunications' industry, we have had to look to expand into new areas. Our TPV revenue has seen year over year declines from a high of approximately $11,300,000 in 2003 to revenues of approximately $3,563,265 in 2011. There was a reduction of approximately $182,611 from revenues from 2010 to 2011. If our expansion efforts with JabberMonkey or Fanatic Fans do not prove successful, our ability to stay in operation is questionable. We have already reduced our expenses related to TPV to be able to make a profit for this segement at anticipated revenue levels. Even with the reduced expenses, we still operate at a net loss. Our future success will depend, to a great extent, on the success of JabberMonkey or Fanatic Fans. Since we have not began to the marketing of JabberMonkey or Fanatic Fans, prospective investors will not be able to rely on an operating history when evaluating our potential. If our expansion efforts do not prove successful, it is likely we would only be able to operate the TPV segement of the business at a small profit.

With our expansion into new business areas, our ability to raise additional capital may be key to our success and without additional capital, we may not be able to stay in business.

We have been losing money and need to expand into new business areas as our TPV business, which has been our primary operations, has declining revenue and only small operating profits. Even if we leverage our current technology and infrastructure, without additional capital it will be difficult for us to enter into new business markets. With the current credit crisis in the United States, it may be difficult to raise capital and we do not think traditional forms of financing, such as bank loans, will be available for us. Given the current economic times, we would anticipate it being difficult to raise any capital and believe the terms we could obtain may not be very favorable, possibly resulting in substantial dilution to current shareholders. There can be no assurance that we will be able to raise the required capital.

Our inability to adequately retain or protect our employees, customer relationships and proprietary technology could harm our ability to compete.

Our future success and ability to compete depends in part upon our employees and their customer relationships, as well as our proprietary technology. Despite our efforts, we may not prevent third parties from soliciting our employees or customers or infringing upon or misappropriating our intellectual property. Our employees, customer relationships and intellectual property may not provide us with a competitive advantage adequate to prevent the competitors from entering the markets for our products and services. Additionally, our competitors, which are larger and better financed, could independently develop non-infringing technologies that are competitive with, and equivalent or superior to our technology.

We face numerous competitors and as a result, we may not get the business we seek.

We have many competitors with comparable technology and capabilities that compete for the same group of customers. Our competitors are competent and experienced and are continuously working to take projects away from us. Many of our competitors have greater financial, technical, marketing and other resources than we do. Our ability to compete effectively may be adversely affected by the ability of these competitors to devote greater resources to the sale and marketing of their products and services.

We currently depend upon a single customer segment, the telecommunication market, for the majority of revenues and a decrease in its demand for our services or pricing modifications in this segment would have a material adverse effect on our business, operations, and financial condition.

Currently, a substantial part of our revenue sources come from our TPV business related to telecommunications. As the telecommunication business has consolidated, we have seen a reduction in revenue. If this market segment continues to consolidate, we could see a further reduction in the TPV revenue from telecommunications. Although we have moved to expand our product offerings, it will take time for our new offerings to gain acceptance in the marketplace and there can be no assurances that the new product offerings will prove successful. Accordingly, it is possible, we could see further reduction in business and increased losses if the TPV business is reduced further.

Almost 83% of our revenues are derived from three customers and the loss of any of these customers would have a material adverse effect on our business, operations and financial condition.

Currently, almost 83% of our revenues are derived from AT&T Communications, Cox Communications and Frontier Communications. For the year ended December 31, 2011 AT&T Communications accounted for 50.6% of our revenue, Cox Communications accounted for 16.7% of our revenues and Frontier Communications accounted for 15.0% of our revenues. For 2010 AT&T Communications accounted for 68% of our revenue, Cox Communications accounted for 16.6% of our revenues and Frontier Communications accounted for 1.5%. It is unlikely we could replace any these customers in the short term and may not have the resources to survive long enough to add additional product offerings without the ongoing revenue from these customers.

We may not be able to adapt quickly enough to changing customer requirements and industry standards.

We are in an industry dependent on technology and the ability to adapt this technology to changing market needs. We may not be able to adapt quickly enough to changing customer requirements and preferences and industry standards. Competitors are continually introducing new products and services with new technologies. These changes and the emergence of new industry standards and practices could render our existing products obsolete and will require us to spend funds on research and development to stay competitive.

Efforts to expand will place a significant strain on our management, operational, financial and other resources.

We plan to expand our operations by aggressively marketing JabberMonkey and Fanatic Fans, which will place a significant strain on our management, operations, technical performance and financial resources. There can be no assurance that we will be able to manage expansion effectively. Our current and planned personnel, systems, procedures, and controls may not be adequate to support and effectively manage our future operations, especially as we employ personnel in multiple geographic locations. We may not be able to hire, train, retain, motivate, and manage required personnel, which may limit our growth. If any of this were to occur, it could damage our reputation, limit our growth, negatively affect our operating results and harm our business. We do not currently have the required capital to market either of the offerings.

We have limited funds upon which to rely for adjusting to business variations and for growing new business.

We have been experiencing losses, with a net loss of $6,331,971 and $128,263 for the years ended December 31, 2011 and 2010, respectively. These losses are the result of consolidation in the telecommunication business and our continuing research and development expenses related to new business lines as well as expenses related to the Company's conversion of its debt to equity. We are actively diversifying our product offerings to adjust to changes in our customers and the telecommunications' industry. We had negative working capital of $824,196 at December 31, 2011. Given our limited working capital, if we were to lose existing customers, it could further hurt our ability to continue in business. It is likely we will have to seek additional capital in the future as we seek to expand our product offerings. There can be no assurance we will be able to raise additional capital and even if we are successful in raising additional capital, that we will be able to raise capital on reasonable terms. If we do raise capital, our existing shareholders will incur substantial and immediate dilution.

We may issue more stock without shareholder input or consent which could dilute the book value for stockholders.

The board of directors has authority, without action by or vote of the shareholders, to issue all or part of the authorized but unissued shares. In addition, the board of directors has authority, without action by or vote of the shareholders, to fix and determine the rights, preferences, and privileges of the preferred stock, which may be given voting rights superior to that of the common stock. Any issuance of additional shares of common stock or preferred stock will dilute the ownership percentage of shareholders and may further dilute the book value of Calibrus' shares. It is likely we will seek additional capital in the future to fund operations. Any future capital will most likely reduce current investors' percentage of ownership.

We have not and do not intend to pay dividends in the foreseeable future.

Calibrus has not paid, and does not plan to pay, dividends in the foreseeable future, even if it were profitable. Earnings, if any, are expected to be used to expand operations, for research and development and for general corporate purposes, rather than to make distributions to stockholders.

Shares which may be available for resale could have a depressive affect on our stock price if we were to become listed on an exchange or market.

Calibrus has previously issued shares of Common Stock that constitute “restricted securities” as that term is defined in Rule 144 adopted under the Securities Act. Subject to certain restrictions, such securities may generally be sold in limited amounts six months after their acquisition. Sales of these restricted securities under Rule 144 or otherwise by current stockholders of Calibrus could have a depressive effect on any trading market for Common Stock that may exist now or develop in the future.

It is likely, even if our common stock becomes listed on an exchange or market, that it would be subject to the "penny stock" rules limiting the ability of prospective investors to purchase our shares creating potential liquidity issues for our stockholders.

Calibrus' Common Stock is covered by a Securities and Exchange Commission rule that imposes additional sales practice requirements on broker-dealers which sell such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of $5,000,000 or individuals with net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse). For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell Calibrus' securities and also may affect the ability of persons now owning or subsequently acquiring Calibrus' securities to resell such securities in any trading market that may develop.

We may issue additional shares of our common or preferred stock which potentially could have a dilutive effect on current stockholders.

Calibrus currently has authorized 45,000,000 shares of Common Stock of which 13,808,580 shares are issued and outstanding. The board of directors has authority, without action by or vote of Calibrus' stockholders to issue all or part of the authorized but unissued shares. It is likely that Calibrus will seek additional equity capital in the future as it develops and markets additional products. Any issuance of additional shares of Common Stock will dilute the percentage ownership interest of stockholders and may further dilute the book value of Calibrus shares.

Management is reviewing the recently enacted legislation related to healthcare and its impact on Company results.

Calibrus management is currently reviewing the recently enacted healthcare package and its effect on future financial results of the Company. At this time it has not been determined whether this will have a material effect on financial results. It is possible it may have a material effect on financial results.

For all of the foregoing reasons and others set forth herein, an investment in these securities involves a high degree of risk.

Employees

As of March 31, 2012, we had 61 full-time employees and 18 part-time employees.

Offices

Our offices are located at 1225 West Washington Street, Tempe, Arizona 85281 where we lease approximately 7,767 square feet. Our lease runs through October 31, 2015 at a lease rate of approximately $19 per square foot, including common area charges, for an annual lease amount of approximately $140,000, or approximately $12,000 per month. Management believes our current lease will serve current and future expansion plans through its term.

ITEM 2. PROPERTIES

Our offices are located at 1225 West Washington Street, Tempe, Arizona 85281 where we lease approximately 7,767 square feet. Our lease runs through October 31, 2015, at a lease rate of approximately $19 per square foot, including common area charges, for an annual lease amount of approximately $140,000 or approximately $12,000 per month. Management believes our current lease will serve current and future expansion plans through the term of our lease.

ITEM 3. LEGAL PROCEEDINGS

On September 13, 2010, a former employee filed a lawsuit in the Superior Court of the State of Arizona, in and for the County of Maricopa (Case No. CV2010-027027) against the Company. The complaint was hand-written and did not itemize the specific legal claims, but could include (1) discrimination (no statute identified), (2) failure to pay minimum wage or overtime (no statute identified), (3) retaliation, (4) assault, and (5) intentional infliction of emotional distress. On May 22, 2011 the suit was dismissed with prejudice.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Calibrus’ common stock is quoted on OTC Bulletin Board, under the symbol “CALB.” Our common stock is traded on the OTCBB but has had limited trading activity. Since our stock was included in the OTC Bulletin Board in December 2009, but was not eligible for trading until February 2010. The first trades in the Company’s common stock did not occur until April 2010.

Quarter Ended	High Bid	Low Bid
March 31, 2010	*	*
June 30, 2010	$1.01	$0.45
September 30, 2010	$0.75	$0.51
December 31, 2010	$0.54	$0.30
March 31, 2011	$0.45	$0.30
June 30, 2011	$0.55	$0.30
September 30, 2011	$0.32	$0.20
December 31, 2011	$0.45	$0.15

At April 4, 2012, the bid and asked price for the Company's Common Stock was $0.15 and $0.20, respectively. All prices listed herein reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not represent actual transactions with retail customers. Since its inception, Calibrus has not paid any dividends on shares of common stock, and Calibrus does not anticipate that it will pay dividends in the foreseeable future. At December 31, 2011, we had approximately 140 shareholders of record. As of December 31, 2011, Calibrus had 13,808,580 shares of our common stock issued and outstanding. At April 4, 2011, Calibrus had 13,808,580 shares of its common stock issued and outstanding.

Possible Sale of Common Stock Pursuant to Rule 144

Calibrus has previously issued shares of common stock that constitute restricted securities as that term is defined in Rule 144 adopted under the Securities Act. Subject to certain restrictions, such securities may generally be sold in limited amounts under Rule 144. Except for 1,200,000 shares of Calibrus’ common stock issued in 2011, all of Calibrus issued 13,808,580 shares would meet the time test of Rule 144 and potentially be available for resale. With the number of shares potentially becoming available for resale, there could be a depressive effect on any market that may develop for Calibrus’ common stock.

Reports to Shareholders

This report will be available over the internet at the Securities and Exchange Commission website www.sec.gov.

Recent Sales of Unregistered Securities

We issued options to our advisory board members during the year ended December 31, 2011 and, accordingly, we believe all issuances are exempt from the registration provisions of the Securities Act of 1933. We issued a total of 500,000 options in 2011.

On January 31, 2011, the Company issued a promissory note in the principal amount $50,000 to evidence a loan made to the Company by Jeff W. Holmes, the Company's CEO and a beneficial owner. The term of the note is 1 year with interest at 12% per annum, with interest due monthly. The loan also included warrants to purchase 50,000 shares of the Company's common stock with an exercise price of $.50 per share. The warrants have a 3 year term.

On February 16, 2011, the Company issued a promissory note in the principal amount $50,000 to evidence a loan made to the Company by an existing shareholder. The term of the note is 1 year with interest at 12% per annum, with interest due monthly. The loan also included warrants to purchase 50,000 shares of the Company's common stock with an exercise price of $.50 per share. The warrants have a 3 year term.

On March 16, 2011, the Company issued a promissory note in the principal amount $10,000 to evidence a loan made to the Company by an entity controlled by Christian J. Hoffmann, III, a Director. The term of the note is 1 year with interest at 12% per annum, with interest due monthly. The loan also included warrants to purchase 10,000 shares of the Company's common stock with an exercise price of $.50 per share. The warrants have a 3 year term.

On March 16, 2011, the Company issued a promissory note in the principal amount $10,000 to evidence a loan made to the Company by an entity controlled by Christian J. Hoffmann, III, a Director. The term of the note is 1 year with interest at 12% per annum, with interest due monthly. The loan also included warrants to purchase 10,000 shares of the Company's common stock with an exercise price of $.50 per share. The warrants have a 3 year term.

On March 16, 2011, the Company issued a promissory note in the principal amount $5,000 to evidence a loan made to the Company by an entity controlled by Christian J. Hoffmann, III, a Director. The term of the note is 1 year with interest at 12% per annum, with interest due monthly. The loan also included warrants to purchase 5,000 shares of the Company's common stock with an exercise price of $.50 per share. The warrants have a 3 year term.

On July 6, 2011, the Company issued 37,500 shares of its Common Stock in payment of services.

Through October 31, 2011, the Company sold 315 units, at $5,000 per unit, consisting of five thousand dollars ($5,000) in Convertible Debentures ("the Debentures") of Calibrus and twenty five hundred (2,500) common stock purchase warrants (the "Units") for total proceeds of $1,575,000. Each convertible debenture was convertible into shares of common stock of Calibrus at the lower of $1.50 per share or the price of any additional private placement of Calibrus in the next twelve months and bears interest at the rate of 12% per annum. Each common stock purchase warrant entitles the holder to purchase one share of Calibrus' common stock for each warrant held at the warrant exercise price of the lower of (i) one dollar and ninety-five cents ($1.95) per share, or (ii) one hundred thirty percent (130%) of the per share price paid by any investor in a private placement by Calibrus of shares of our common stock at any time in the next twelve months (the "Warrants"). The Warrants are only exercisable if the Debentures, which are part of the underlying Unit, are converted into shares of Calibrus' common stock. As of April 4, 2012 a total of 777,500 warrants related to the units remain outstanding with 770,000 being currently exercisable.

On August 29, 2011 the Company's Board of Directors elected to reprice the conversion price for the Company's convertible debt from $1.50 per share to $0.25 per share and such conversion price was only valid through October 31, 2011. The repricing was effective as of October 31, 2011 for holders electing to accept the reduced conversion price. This repricing is considered an induced conversion of debt. Therefore, the value of the additional shares received upon conversion in excess of the original conversion formula are treated as an inducement expense at the time of conversion. The Company converted a total of $1,540,000 in principal amounts of the convertible debentures in addition to $204,120 in accrued interest related to the debentures. This resulted in the issuance of 6,976,480 shares of the Company's common stock. Following the conversion the Company had $25,000 in principal amount debentures outstanding of which $15,000 remains as of April 12, 2012.

On October 31, 2011 the Company issued an additional 102,088 warrants to those debenture holders who converted. One warrant was issued for each $2.00 in accrued interest at October 31, 2011. The warrants have a three year term and have an exercise price of $.325 per share.

On August 29, 2011 the warrant exercise price related to the Company's convertible debentures was reset from $1.95 to $.325 per share. Only those debenture holders who converted are affected by the exercise rate change.

Securities Authorized for Issuance under Equity Compensation Plans

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and right	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,244,167	$1.03	2,605,833
Total	2,244,167	$1.03	2,605,833

The Company also has 500,000 options issued outside of the compensation plans with a weighted average exercise price of $.25. These options have a three-year term.

ITEM 6. SELECTED FINANCIAL DATA

Summary of Financial Information

We had revenues of $3,563,265 and a net loss of ($6,331,971) for the year ended December 31, 2011. At December 31, 2011, we had cash and cash equivalents of $11,065 and negative working capital of ($824,196), which represented an increase in working capital of $868,567 from the amount reported at December 31, 2010, of ($1,692,763).

The following table shows selected summarized financial data for Calibrus at the dates and for the periods indicated. The data should be read in conjunction with the financial statements and notes included herein beginning on page F-1.

STATEMENT OF OPERATIONS DATA:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Revenues	$ 3,563,265	$ 3,745,876
Cost of Revenues	1,293,801	1,334,272
Research and Development	1,472,113	232,327
General and Administrative Expenses	2,356,291	2,195,023
Impairment Expense	1,757,898	-
Net Loss	(6,331,971)	(128,263)
Basic and Diluted Loss per Share	(0.79)	(0.02)
Basic and Diluted Weighted Average Number of Shares Outstanding	7,978,820	6,794,600

BALANCE SHEET DATA:

	December 31, 2010	December 31, 2010

Total Current Assets	$ 551,072	$ 400,642
Total Assets	620,786	3,152,453
Total Current Liabilities	1,375,268	2,093,405
Working Capital	(824,196)	(1,692,763)
Stockholders' Equity (Deficit)	(754,482)	1,059,048

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this Report constitute "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, among others, uncertainties relating to general economic and business conditions; industry trends; changes in demand for our products and services; uncertainties relating to customer plans and commitments and the timing of orders received from customers; announcements or changes in our pricing policies or that of our competitors; unanticipated delays in the development, market acceptance or installation of our products and services; our ability to repay our debt obligations; changes in government regulations; availability of management and other key personnel; our ability to raise additional capital and the availability and terms of such capital, if available; relationships with third-party equipment suppliers; and worldwide political stability and economic growth. The words "believe", "expect", "anticipate", "intend" and "plan" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the audited Financial Statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions which are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions. Calibrus believes there have been no significant changes to accounting policies and estimates made during the year ended December 31, 2011. Calibrus believes that the following represents Calibrus' most critical accounting policies.

We recognize revenue in accordance with FASB ASC 605-10-S99, Revenue Recognition (formerly "SAB 104"). Under this guidance revenue is recognized at the point of passage to the customer of title and risk of loss, when there is persuasive evidence of an arrangement, the sales price is determinable, and collection of the resulting receivable is reasonably assured. Our customers are charged either on a per call basis or per minute basis according to the terms of the contract and the service provided to that customer. Live agent TPV customers are generally charged on a per call basis which is defined as a call that is answered by the Company's agent. Call recording services are charged on a per minute basis for the length of the call being recorded.

The Company from time to time executes outbound sales campaigns for customers, primarily for the sale of telecommunications services. Although this revenue source has been immaterial, the Company recognizes the commissions earned on these campaigns on a net basis in accordance with FASB ASC 605-45 Reporting Revenue Gross as a Principal versus Net as an Agent. The Company is not currently operating any outbound calling campaigns.

Our allowance for doubtful accounts is maintained to provide for losses arising from customers' inability to make required payments. If there is deterioration of our customers' credit worthiness and/or there is an increase in the length of time that the receivables are past due greater than the historical assumptions used, additional allowances may be required.

Stock-Based Compensation. The Company has stock-based compensation plans. Stock-based compensation expense for all stock-based compensation awards granted after January 1, 2006 is based on the grant date fair value estimated in accordance with the Black Scholes Pricing Model. The value of the compensation cost is amortized on a straight-line basis over the requisite service periods of the award (the option vesting term).

Assumptions used in the Black Scholes Pricing Model to estimate compensation expense are determined as follows:

- Expected term is determined using an average of the contractual term and vesting period of the award;

- Expected volatility of award grants made under the Company's plans is measured using the historical daily changes in the market price of similar industry indices, which are publicly traded, over the expected term of the award;

- Risk-free interest rate is equivalent to the implied yield on zero-coupon U.S. Treasury bonds with a remaining maturity equal to the expected term of the awards; and,

- Forfeitures are based on the history of cancellations of awards granted by the Company and management's analysis of potential forfeitures.

We account for income taxes in accordance with FASB ASC 740 (formerly SFAS No. 109). Under this guidance, deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets will be reflected on the balance sheet when it is determined that it is more likely than not that the asset will be realized.

The Company capitalizes certain software costs in accordance with FASB ASC 350 40 Internal-Use Software. The JabberMonkey website was under development through November 2010 and reached availability for general commercial use in December 2010. Capitalized costs will be amortized over the estimated economic life of the product which is estimated to be 3 years. Amortization expense for the year ended December 31, 2011 was $917,164.

On December 31, 2011 the Company reviewed the carrying value of its capitalized software development and decided to record an impairment against the remaining value. This determination was predicated by the fact that the Company currently lacks sufficient funds to actively market the product. Given the lead time necessary to market the product, develop a client base and generate a revenue stream, it could not generate sufficient cash flows to offset the remaining two years of its estimated life. Therefore, management determined that an impairment was justified at this time. The Company recorded impairment expense of $1,757,898 related to this impairment.

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

Third Party Verification market size has been shrinking over the last four (4) years. Calibrus' business has been severely impacted by industry consolidation and increased competition. The telecommunications industry has been experiencing consolidation between the major Incumbent Local Exchange Carriers (ILEC). Over the past decade the major telecommunications players have been Verizon, SBC Communications, BellSouth Communications, AT&T, Sprint, MCI, Adelphia Communications and Qwest Communications. In the past three years SBC Communications acquired AT&T and Bellsouth Communications. CenturyLink and Qwest have merged. Adelphia Communications and MCI are no longer in business. The remaining players are Verizon, AT&T, Sprint and Frontier. The result is that the number of potential Calibrus ILEC/ TPV customers has declined and may shrink even further over the next several years, reducing the overall TPV market size even further.

Calibrus' overall business has also been affected by increased competition from Wireless, Cable and Broadband Industries which have reduced revenue and market share for our business. For sometime the ILEC's have been experiencing tremendous pressure in their core business offerings (Local and Long Distance phone service). Wireless, Cable and Broadband companies are impacting the way in which customers are buying communication services. VOIP is also beginning to add to existing pressures on the Telecommunications companies' revenue growth and creating upward pressures on capital spending. In order to fight the increased competition the ILEC's are reinventing their business models by expanding their offerings from Local and Long Distance phone service. ILEC's are providing a multi-service offering, i.e. Local and Long Distance phone service, Broadband, VOIP and TV services to their customers. ILEC's have just begun to incorporate a business strategy of "bundling" services, where a service provider includes DSL service, Cable or Satellite TV along with Telephone or VOIP services all at discounted rates. This is a proven strategy designed to increase revenue per customer, promote customer loyalty and increase retention, making it more difficult for customers to switch to another company. It is clear to us that our TPV volume will continue to decrease due to increased competition from service providers offering multiple services to customers.

Our contract with AT&T expired on December 31, 2009. We signed two short-term contract extensions with modified pricing through March 2010. On April 8, 2010 the Company signed a new contract with AT&T. The contract sets forth our pricing terms and provides the conditions on which we are to provide service to AT&T including that our services are deemed performed when provided. AT&T renewed the contract for a one year period in 2011. The renewal included a 2.5% pricing discount per the terms of the original contract signed in 2010. The Company also signed a new contract with Frontier Communications in May of 2011 which was done in conjunction with Frontier's acquisition of 13 Verizon state landline operations.

With the decline of the TPV market, Calibrus is looking to penetrate new markets with its products and services. Over the next twelve (12) months Calibrus will be focusing on more Automated Hosted Business Solutions that require little to no labor involvement. Calibrus' management strongly believes in trying to significantly reduce one of its highest costs, its Live Operator workforce. Industries that we have targeted for our Automated Hosted Business solutions are the Insurance, Internet, Real Estate, and Financial Industries. Automated Hosted Business programs while typically generating less top line revenue tend to have significantly higher margins. Going forward, Calibrus plans to focus its time and efforts into pursuing these types of products and services that shall return a higher margin than what we are able to achieve from Live Operator programs.

The Company did generate positive cash flow from the TPV and hosted call recording operations for the year ended December 31, 2011.

It is anticipated that additional hardware and software may be required, as well as additional employees, particularly software programmers and web developers, may be needed in order to complete certain products and services. We believe within the next twelve (12) months in order to further develop, implement, market and sell Automated Hosted Business services we will need to raise additional capital. We currently anticipate it will cost an additional $1,000,000 to successfully market our new product. This is only an estimate and may change substantially as we move forward with our new products. Additionally, with the current economic conditions facing the country, we may have to raise more funds if we are not able to generate sufficient revenues from the new and existing product lines. There can be no assurance that we will be able to raise any funds or that the funds raised will be sufficient to cover ongoing expenses.

With the launch of JabberMonkey in 2010 and Fanatic Fans in 2011 we will begin to focus more time and capital on the social networking side of our operations and ancillary offerings related to software development and marketing related to social networking. We believe this will take an increasing amount of our management time and financial resources, but believe it offers long term opportunities that the Hosted Business Solutions does not offer.

The Company has no acquisition plans at this time.

Results of Operations

December 31, 2011

For the year ended December 31, 2011, we had revenues of $3,563,265 compared to revenues of $3,745,876 for the year ended December 31, 2010, a decrease of 4.87%. The reduction in revenues is the result of less third party verification work available as the telecommunication industry continued to consolidate and our overall call volumes continue to decline. Year over year call volumes related to our largest 5 customers decreased by 2.01% from 2010 to 2011. Since we currently represent some of the largest telecommunication companies, we do not believe we will see a significant increase in revenues from this source. Accordingly, we are actively expanding our product offerings to leverage our core technology and capabilities to cover other needs of businesses. Since these efforts to expand our products and services have only recently begun, we cannot say if we will be successful in bringing in additional revenues.

Over the last two years we have been successful at reducing our core operating expenses to better match our current revenue stream and signed new contracts or contract extensions with existing customers that provide for higher pricing as discussed above. As such, out cost of revenues, as a percentage of sales have remained consistent at 36% over the last two years. Research and development expense for the year ended December 31, 2011 was $1,472,113 as compared to $232,327 for the year ended December 31, 2010. This increase was the result of the Company capitalizing costs related to the development of its JabberMonkey.com website through November of 2010. Substantially, all research and development expenses in 2011 related directly to the Fanatic Fans mobile application. General and administrative expenses for 2011 remained largely flat when compared to 2010. On December 31, 2011 the Company reviewed the carrying value of its capitalized software development and decided to record an impairment against the remaining value. This determination was predicated by the fact that the Company currently lacks sufficient funds to actively market the product. Given the lead time necessary to market the product, develop a client base and generate a revenue stream, it could not generate sufficient cash flows to offset the remaining two years of its estimated life. Therefore, management determined that an impairment was justified at this time. The Company recorded impairment expense of $1,757,898 related to this impairment. Interest expense for the year was significantly higher, primarily due to increased interest related to the Company's convertible debentures and the inclusion of $2,735,189 in conversion expense related to the conversion of the debentures. The Company will likely see large reductions in interest expense for the year ended December 31, 2012 as the Company reduced its debt as a result of the conversion of $1,540,000 of debt to equity.

The Company had negative cash-flow from operations of approximately $1,033,172 for the year ended December 31, 2011. With the exception of research and development expenses related to Fanatic Fans, the Company would have generated positive cash flow from operations for the year ended December 31, 2011 of approximately $439,000 (unaudited). This is indicative of the Company's success in stabilizing the TPV business even given the downturn in volumes and revenues through increased pricing and higher volumes of IVR services. The Company believes that it is in a position to dramatically reduce or eliminate its R&D expenses and cash flows attributable to its social networking projects at any time and operate in a cash flow positive state if needed.

Seasonality and Cyclicality
We do not believe our business is cyclical.

Liquidity and Capital Resources

As of December 31, 2011 we had cash on hand of $11,065 and negative working capital of $824,196 with current assets of $551,072 and current liabilities of $1,375,268.

Our working capital as of December 31, 2011, decreased from negative working capital of $1,692,763 at December 31, 2010, largely as a result of conversion of existing debt to equity. However, the Company continued to invest resources into the development of our social networking product offerings. We have been working to reduce our dependence on third party verification revenues by expanding our product offerings and generating alternative revenue sources. This expansion has increased our usage of capital. From December 31, 2011 through April 4, 2012 the Company has received an additional $45,000 in short-term advances from the Company's CEO.

The Company believes it is in a position to dramatically reduce or eliminate expenditures related to its JabberMonkey website and Fanatic Fans mobile application if the need arises or the Company is not able to raise additional capital to fund these projects. Research and development expense related to the projects for the year ended December 31, 2011 totaled $1,472,113. With the exception this expense, the Company would have generated positive proforma cash flow of approximately $439,000 (unaudited).

Although we have been expanding our product offerings, which have increased our need for capital, we have also reduced our long term expenses by reducing the amount of rentable square feet in our current location. We were also able to reduce expenses through a reduction in our workforce. We are hopeful these changes along with our new product offerings, which are not as labor intensive, will allow us to return to profitability, but can offer no assurances in this regard.

As we try to expand our product offerings, we will need to seek additional capital. As of April 4, 2012, we believe we have sufficient capital to fund operations for the next 12 months based on our current cashflow from operations and management's expectation of its ability to raise additional capital and reduce expenses related to our social networking projects. Management intends to raise additional capital either through an equity or debt placement to help expand our marketing efforts and to be able to aggressively market our new product offerings, including JabberMonkey and Fanatic Fans. We have estimated our capital needs based on the potential revenues from existing clients and our current burn rate over the previous months as we continue to investment money in the development of our social networking projects. Our monthly burn rate is averaging $50,000 beyond our cash receipts as of April 4, 2012. We have been able to fund these negative amounts through cash flows from our existing core business and through the financing of $1,575,000 via the issuance of Debentures through October 31, 2011. The Company has received an additional $45,000 short-term advance from its CEO through April 4, 2012. We anticipate that expenditures related to the development of JabberMonkey and Fanatic Fans will be further reduced and focus more on maintenance and improvements to the developed product as well. However, we will need to increase expenditures in marketing to successfully attract users to both products. Our revenue figures may not come to fruition given the current economic conditions in the United States and the world in general. If we have revenue short falls, we may have to reevaluate our ability to survive unless we have additional revenue sources on line. This may cause us to curtail or cease development and marketing expenditures related to our social networking projects. There can be no guarantee our new products will increase revenues or that we can achieve profitability before our assets are depleted.

We estimate we will need an additional $1,000,000 in capital to cover our ongoing expenses and to successfully market our new product offerings. This is only an estimate and may change as we receive feedback from customers and have a better feel of the demand and revenues from our new products. Our estimates assume that prior discussions with interested potential customers will lead to sales and that we will be able to maintain current revenue figures and gross profit margins, although we can offer no assurances in this regard. With the current economic conditions, both of these factors may change and we may not be able to raise the necessary capital and if we are able to, that it may not be at favorable rates.

Given the current state of Calibrus and our revenues, we do not believe bank financing will be feasible and if we need additional capital it will be in the form of an equity or debt offering. To this end, management has made the decision to position Calibrus to be more attractive to investors, particularly angel investors.

Off-Balance Sheet Arrangements

We have no off balance sheet arrangements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENATRY DATA

The financial statements of the Company are set forth immediately following the signature page to this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has had no disagreements with its independent registered public accounting firm with respect to accounting practices or procedures or financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (“Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2011 that our disclosure controls and procedures were effective at the reasonable assurance level over disclosure controls.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2011 and determined that our controls and procedures were effective at the reasonable assurance level. This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permits us to provide only management's report in this annual report.

We have assessed the effectiveness of our internal control over financial reporting as of December 31, 2011, the period covered by this Annual Report on Form 10-K, as discussed above. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on these criteria and our assessment, we have determined that, as of December 31, 2011, our internal control over financial reporting was effective.

Changes in internal control over financial reporting

There have been no changes in internal control over financial reporting that occurred during the fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth information with respect to the officers and directors of Calibrus. Calibrus' directors serve for a term of one year and thereafter until their successors have been duly elected by the shareholders and qualified. Calibrus' officers serve for a term of one year and thereafter until their successors have been duly elected by the Board of Directors and qualified.

Name	Age	Positions
Jeff W. Holmes	58	CEO, Director
Greg Holmes	48	President
Kirk Blosch	57	Director
Charles House	71	Director
Christian J. Hoffmann, III	64	Director
Michael Myers	43	Director
Kevin Asher	36	CFO
Tom Harker	38	CTO

Jeff W. Holmes – Chairman and C.E.O. Jeff Holmes is a founder of Calibrus and has been active in the roles of President, C.E.O. and Chairman of the Board of Directors since Calibrus' inception in 1999. For the past 25 years Mr. Holmes has been active in developing technologies that improve the efficiencies of business processes in the Healthcare, Internet, Computer (hardware and software) and Telecommunications industries. He graduated in 1976 with a B.S. in Marketing and Management from the University of Utah. The Company believes that because of Mr. Holmes' role as a founder and his experience with microcap public companies he is qualified to be a director.

Greg W. Holmes – President. Greg Holmes is a founder of Calibrus and has served in several positions during his Calibrus tenure which began in 1999. Most recently, Mr. Holmes served as Director of Business Development, working on developing new business opportunities and strategic relationships. In 2003, Mr. Holmes served as Production Manager over Calibrus' Papago Facility, managing activities related to client call volumes, staffing levels, scheduling and Quality Assurance issues for Fortune 1000 clients at Calibrus Corporate headquarters in Tempe, AZ. From January 2001 to February 2003, Mr. Holmes was the Director of Human Resources for Calibrus. He was also responsible for managing accounts receivable, accounts payable and invoicing. From 1996 to 1999, Mr. Holmes was head of Internet Business Development & Research for J.W. Holmes & Associates and The Scottsdale Equity Growth Fund. Responsibilities included conducting research and analysis for existing portfolio companies and companies seeking investment capital. From 1995 to 1996, Mr. Holmes was Director of Finance & Director of Human Resources for Pro Tour Tennis in which he handled the accounts payable, payroll, budget forecasting, financial statements and human resource duties. He earned his Bachelors degree in Geography and a minor in Finance from the University of Utah in 1995.

Kirk Blosch – Director. Mr. Blosch is a general partner and founder of Blosch and Holmes LLC, a business consulting and private venture funding general partnership established in 1984. Mr. Blosch is and has been, since October 1999, a member of the board of directors of Calibrus, Inc. From the first quarter of 1997 through the second quarter of 2000, Mr. Blosch was a director of Zevex International, a medical product company specializing in medical devices and ultrasound technology. Zevex (ZVXI) was traded on NASDAQ prior to its sale. Mr. Blosch also served on the board of directors of OCIS, Inc. from 2003 through July 2007. Mr. Blosch graduated from the University of Utah in 1977 with a B.S. degree in Speech Communications. The Company believes that because of Mr. Blosch's role as a founder and his experience with microcap public companies he is qualified to be a director.

Christian J. Hoffmann, III – Director. Mr. Hoffmann, Director is a lawyer specializing in corporate, securities, mergers and acquisitions and venture capital. He has been a Director at Calibrus since 2001. He has been a partner with Quarles & Brady, LLP and its predecessor in Phoenix, Arizona since November 1995. He graduated magna cum laude from Georgetown University with Bachelors of Science in Business Administration in 1969 and from the Georgetown University Law Center with a juris doctorate in 1973. The Company believes that Mr. Hoffmann's extensive experience as a securities attorney gives him the qualifications and skills to serve as a director.

Charles House – Director. Mr. House has served as Chancellor of Cogswell College in Sunnyvale, CA since July 2011. Mr. House was Executive Director for Media X at Stanford University, as well as Senior Research Scholar in the H-STAR (Human Science and Technologies Advanced Research) Division between November, 2006 and July, 2011. Before joining Stanford, he was at Intel Corporation, as co-founding Director of their Research Collaboratory in 2003. He joined Intel when they bought Dialogic Corporation in 1999 where House headed Corporate Engineering. From 1995 to 1997, House was President of Spectron Microsystems, a wholly-owned subsidiary of Dialogic that was sold to Texas Instruments. Prior, House was President of the Vista Division of Veritas Software (1993-1995), and the R&D Vice President for Informix (1991-1993) after many years in a variety of roles for Hewlett-Packard (1962-1991). House is an IEEE Fellow and ACM Fellow, a past President of ACM, and chair for many years of the Information Council for CSSP in Washington D.C. He holds numerous technology awards for his work, including the Computer Hall of Fame, the Entrepreneur's Hall of Fame, and the Smithsonian "Wizards of Computing". The Company believes that Mr. House's broad technical expertise and experience qualify him to serve as a director

Michael Myers – Director. Mr. Myers became a Director in November 2010 and is a consultant with Local Matters, Inc. in Denver, Colorado. Additionally, Mr. Myers has been an adjunct professor at University of Denver's Daniels College of Business since 2009, where he teaches MBA courses on information technology strategy. From 2008 through 2010, Mr. Myers worked for Ontargetjobs, Inc. as a manger and business analyst. From 2006 through 2008, Mr. Myers worked for Freshcurrent, Inc. as vice president of strategic marketing. From 2004 through 2005, Mr. Myers worked for Spiremedia, Inc. as vice president of professional services and from 1998 through 2004, Mr. Myers was operations manager for Experian eMarketing Solutions, Inc. Mr. Myers has an MBA from the Daniels College of Business of the University of Denver and a Bachelor of Science from the University of Colorado. The Company believes that Mr. Myers' broad technical expertise and experience qualify him to serve as a director.

Kevin J. Asher - Chief Financial Officer. Mr. Asher has held the position of Chief Financial Officer since February 2008. Prior to joining Calibrus, from March 2006 to February 2008, he was the Principal, General Manager and CFO of an operator of five medical spa clinics in the greater Phoenix metropolitan area. Mr. Asher was responsible for all aspects of the business including finance, accounting, human resources and daily operations. From February 2005 through March 2006, Mr. Asher was Vice President of Finance for AirLink Mobile, Inc., an industry leading MVNO (mobile virtual network operator) and provider of prepaid wireless telephone service where he was responsible for all aspects of accounting and finance including financial reporting, treasury management, financial analysis, financial projections, payroll, regulatory reporting and daily accounting. From September 2003 to February 2005, Mr. Asher was a director of MCA Financial Group Ltd. of Phoenix, Arizona which provides advisory services to businesses, financial institutions and investor groups in the areas of financial restructuring, mergers and acquisitions, business oversight, and corporate and capital formation. His responsibilities included representation of debtors and creditors in the areas of business turnarounds, financial restructuring, chapter 11 business reorganizations, divestures, mergers and acquisitions, business valuations, financial management, and performance improvement. He advised clients in a variety of industries including aviation, aerospace and defense, retail, homebuilding, construction and manufacturing. Prior to his position at MCA Financial, Mr. Asher worked in the public accounting industry primarily as an audit manager. Mr. Asher has a Bachelor of Science degree in accountancy from Northern Arizona University at Flagstaff, Arizona and is a Certified Public Accountant.

Tom Harker – Chief Technology Officer. Mr. Harker has served as Director of Software Development and CTO at Calibrus since 2000. Tom's responsibilities are to oversee all aspects of design and implementation of IT systems. Prior to coming to Calibrus, Tom served as Division Software Manager at ACS (Affiliated Computer Services) for 2 years. Mr. Harker has been involved deeply in the Third Party Verification (TPV) process for the past 9 years with an understanding of the TPV process and FCC requirements.

Key Employees:

Michael J. Brande, MCSE - Vice President of Network Operations. For the past 6 years, Michael Brande has served as the Director of Network Operations and Facilities at Calibrus. His team is responsible for all aspects of the data and telecom networks at Calibrus - from cabling to wiring, and switches and routers, to the servers, PBX's and PC workstations. Mr. Brande directs and cultivates many key business relationships for Calibrus and its Vendor Partners. His responsibilities range from procurement, to services, to facilities and equipment maintenance. Prior to his employment with Calibrus, Michael was employed by ACS (Affiliated Computer Services) TeleSolutions as the Division Network Manager and was part of a team that designed a new and better process for Third Party Verification. He has over 12 years experience in the call center industry.

Michael Rae - Vice President of Software Development. Mr. Rae received his Bachelor of Science in Computer Information Systems in 1999. Prior to working at Calibrus he worked at a software development company where he was responsible for developing a large scale web application used to organize and track volunteers. Mr. Rae has been working as a Senior Systems Architect for Calibrus since 2000. His responsibilities include designing and developing all web related technologies/products for clients and internal management as well as serving as a technical contact for clients. Mike Rae accepted the position of Vice President of Software Development in 2006.

Kelly M. Robinson – Director of TPV Operations. Mr. Robinson joined the Calibrus team in 2003. His background includes developing and managing Third Party Verification operations for major telecommunications companies including BellSouth, Verizon and SBC/AT&T Communications, Cox Communications, CenturyTel, Frontier and others. He has also directed Customer Service and Lead Generation programs for Oakwood Corporate Housing, Grainger Tools, Lucent Technologies/Avaya and others. He has worked within the TPV industry for the last 11 years at Calibrus and previously at ACS (Affiliated Computer Services) and understands the nuances of Third Party Verification processes and its importance to the overall sales process.

Family Relationships

Except for Jeff Holmes and Greg Holmes, who are brothers, there are no family relationships between our officers and directors.

None of the officers and directors has filed for bankruptcy, been convicted in a criminal proceeding or been the subject of any order, judgment, or decree permanently, temporarily, or otherwise limiting activities (1) in connection with the sale or purchase of any security or commodity, or in connection with any violation of Federal or State securities laws or Federal commodities laws, (2) engaging in any type of business practice, or (3) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of an investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity.

Board of Directors Independence

The Board of Directors is currently comprised of five members, three of which are independent and two that are not. Christian J. Hoffmann, Charles House and Michael Myers are considered independent members of the Board and Kirk Blosch and Jeff Holmes are not considered independent.

Board Meetings and Committees and Annual Meeting Attendance

The Board of Directors is currently comprised of five members, two of which are independent and two that are not. Christian J. Hoffmann, Charles House and Michael Myers are considered independent members of the Board and Kirk Blosch and Jeff Holmes are not considered independent.

Audit Committee

The Audit Committee of the board of directors is made up of Christian J. Hoffmann, Charles House and Kirk Blosch. Kirk Blosch is the Chairman of the Audit Committee. The Board determined that Mr. Hoffmann qualifies as an “audit committee financial expert” as defined under the rules and regulations of the Securities and Exchange Commission and is independent. The Audit Committee met four times in 2011 and all members were present. The Audit Committee of the Board’s responsibility to oversee management’s conduct of the corporation’s financial reporting process, the financial reports and other financial information provided by the corporation to the Securities and Exchange Commission and the public, the Corporation’s system of internal accounting and financial controls, and the annual independent audit of the Corporation’s financial statements.   Members of the Committee are reelected annually.

Compensation Committee

The Compensation Committee of the Board of Director’s is made up of Christian J. Hoffmann and Kirk Blosch, who is Chairman of the Committee. Members are reelected on an annual basis by the Board. The Committee reviews annually compensation related to key employees and Officers of the Company. The Compensation Committee met two times in 2011 and all members were present.

Stockholder Communications with the Board of Directors

Stockholders may communicate with the Board of Directors by writing to us as follows: Calibrus, Inc., attention: Corporate Secretary, 1225 West Washington Street, Suite 213, Tempe, AZ 85281. Stockholders who would like their submission directed to a particular member of the Board of Directors may so specify and the communication will be forwarded as appropriate.

Process and Policy for Director Nominations

Our full Board will consider candidates for Board membership suggested by Board members, management and our stockholders. In evaluating the suitability of potential nominees for membership on the Board, the Board members will consider the Board's current composition, including expertise, diversity, and balance of inside, outside and independent directors. The Board considers the general qualifications of the potential nominees, including integrity and honesty; recognized leadership in business or professional activity; a background and experience that will complement the talents of the other board members; the willingness and capability to actively participate in board and committee meetings; the extent to which the candidate possesses pertinent technological, business or financial expertise and experience; the absence of realistic possibilities of conflict of interest or legal prohibition; the ability to work well with the other directors; and the extent of the candidate's familiarity with issues affecting our business.

While the Board considers diversity and variety of experiences and viewpoints to be important factors, it does not believe that a director nominee should be chosen solely or mainly because of race, color, gender, national origin or sexual identity or orientation. Thus, although diversity may be a consideration in the Board's process, it does not have a formal policy regarding the consideration of diversity in identifying director nominees.

Stockholder Recommendations for Director Nominations.

Our Board of Directors does not have a formal policy with respect to consideration of any director candidate recommendation by stockholders. While the Board of Directors may consider candidates recommended by stockholders, it has no requirement to do so. To date, no stockholder has recommended a candidate for nomination to the Board. Given that we have not received director nominations from stockholders in the past and that we do not canvass stockholders for such nominations, we believe it is appropriate not to have a formal policy in that regard. We do not pay a fee to any third party to identify or evaluate or assist in indentifying or evaluating potential nominees.

Stockholder recommendations for director nominations may be submitted to the Company at the following address: Calibrus, Inc., attention: Corporate Secretary, 1225 West Washington, Suite 213, Tempe, AZ 85281. Such recommendations will be forwarded to the Board for consideration, provided that they are accompanied by sufficient information to permit the Board to evaluate the qualifications and experience of the nominees, and provided that they are in time for the Board to do an adequate evaluation of the candidate before the annual meeting of stockholders. The submission must be accomplished by a written consent of the individual to stand for election if nominated by the Board of Directors and to serve if elected and to cooperate with a background check.

Stockholder Nominations of Directors.

The Company provides that in order for a stockholder to nominate a director at an annual meeting, the stockholder must give timely, written notice to the Secretary of the Company and such notice must be received at the principal executive offices of the Company not less than 120 days before the date of its release of the proxy statement to stockholders in connection with its previous year's annual meeting of stockholders. Such stockholder's notice shall include, with respect to each person whom the stockholder proposes to nominate for election as a director, all information relating to such person, including such person's written consent to being named in the proxy statement as a nominee, serving as a director, that is required under the Securities Exchange Act of 1934, as amended, and cooperating with a background investigation. In addition, the stockholder must include in such notice his name and address, as they appear on the Company's records, of the stockholder proposing the nomination of such person, and the name and address of the beneficial owner, if any, on whose behalf the nomination is made, the class and number of shares of capital stock of the Company that are owned beneficially and of record by such stockholder of record and by the beneficial owner, if any, on whose behalf the nomination is made, and any material interest or relationship that such stockholder of record and/or the beneficial owner, if any, on whose behalf the nomination is made may respectively have in such business or with such nominee. At the request of the Board of Directors, any person nominated for election as a director shall furnish to the Secretary of the Company the information required to be set forth in a stockholder's notice of nomination which pertains to the nominee.

To be timely in the case of a special meeting or if the date of the annual meeting is changed by more than thirty (30) days from such anniversary date, a stockholder's notice must be received at the principal executive offices of the Corporation no later than the close of business on the tenth day following the earlier of the day on which notice of the meeting date was mailed or public disclosure of the meeting date was made.

Board of Directors' Role in the Oversight of Risk Management

We face a variety of risks, including credit, liquidity and operational risks. In fulfilling its risk oversight role, our Board of Directors focuses on the adequacy of our risk management process and overall risk management system. Our Board of Directors believes that an effective risk management system will (i) adequately identify the material risks that we face in a timely manner; (ii) implement appropriate risk management strategies that are responsive to our risk profile and specific material risk exposures; (iii) integrate consideration of risk and risk management into our business decision-making; and (iv) include policies and procedures that adequately transmit necessary information regarding material risks to senior executives and, as appropriate, to the Board or relevant committee.

Our Board of Directors oversees risk management for us. Accordingly, the Board schedules time for periodic review of risk management, in addition to its other duties. In this role, the Board receives reports from management, certified public accountants, outside legal counsel, and to the extent necessary, from other advisors, and strives to generate serious and thoughtful attention to our risk management process and system, the nature of the material risks we face, and the a