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Revolutionary Concepts Inc
Form 10-Q
May 17, 2012

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012

Commission File Number 000-53674

REVOLUTIONARY CONCEPTS, INC.

(Exact name of Registrant as specified in its charter)

| | | |
|--|---|---|
| Nevada | 7382 | 27-0094868 |
| (State or other Jurisdiction of Incorporation or Organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

Revolutionary Concepts, Inc.

13850 Ballantyne Corporate Pl

Charlotte, NC 28277

980-225-5376

(Address and telephone number of principal executive offices and principal place of business)

Ron Carter, President

Revolutionary Concepts, Inc.

13850 Ballantyne Corporate Pl

Charlotte, NC 28277

980-225-5376

(Name, address and telephone number of agent for service)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 last 90 days. YES No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 or the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| <u>Class</u> | <u>Outstanding at May 17, 2011</u> |
|--------------|------------------------------------|
|--------------|------------------------------------|

| | |
|---------------------------------|-------------|
| Common stock, \$0.001 par value | 110,950,401 |
|---------------------------------|-------------|

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FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying reviewed interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. Therefore, they do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. Except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2011, filed April 16, 2012. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results that can be expected for the year ending December 31, 2012.

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Table of Contents**REVOLUTIONARY CONCEPTS, INC.**
(A Development Stage Company)**BALANCE SHEETS****as of:**

| | (Unaudited) March 31, 2012 | (Audited) December 31, 2011 |
|--|----------------------------------|--------------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$- | \$- |
| Total Current Assets | - | - |
| Fixed Assets | | |
| Computer equipment | 12,231 | 12,231 |
| Accumulated depreciation | (10,811) | (10,626) |
| Total Net Fixed Assets | 1,420 | 1,606 |
| Other Assets | | |
| Patent costs | 103,985 | 99,539 |
| Accumulated amortization | (89,429) | (86,387) |
| Total Patent Costs net of accumulated amortization | 14,555 | 13,152 |
| Related party note receivable | 112,663 | 112,663 |
| Security deposits | 1,500 | 1,500 |
| Total Other Assets net of accumulated amortization | 128,718 | 127,315 |
| TOTAL ASSETS | \$ 130,138 | \$ 128,921 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable | \$ 193,222 | \$ 220,225 |
| Accrued interest payable | 65,144 | 51,140 |
| Other accrued expenses | 665,981 | 572,470 |
| Total Current Liabilities | 924,347 | 843,836 |
| Long-term Debt | | |
| Notes payable | 886,000 | 752,000 |
| Notes payable - related parties | — | 138,462 |
| Total Long-term Debt | 886,000 | 890,461 |
| Stockholders' Deficit | | |
| Preferred stock 10,000,000 shares authorized, none issued | — | — |
| Common stock, \$.001 par value, 110,950,401 and 71,281,189 shares issued and outstanding, 1,000,000,000 authorized, respectively | 110,950 | 71,281 |
| Additional paid in capital | 3,114,853 | 2,985,071 |

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| | | |
|--|-------------------|-------------------|
| Unpaid capital contributions (see note 3) | (81,149) | (80,345) |
| Deficit accumulated during the development stage | (4,824,863) | (4,581,383) |
| | (1,680,209) | (1,605,376) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 130,138 | \$ 128,921 |

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

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REVOLUTIONARY CONCEPTS, INC.
(A Development Stage Company)
STATEMENTS OF INCOME (LOSS)
For the Three Months Ending March 31, 2012 and 2011
and the period from March 12, 2004 (Inception) to March 31, 2012

| | <u>For the Three Months Ending</u> | | March 12, |
|---|------------------------------------|-------------------|-------------------------------------|
| | March 31, | | 2004 |
| | 2012 | 2011 | (Inception) to March 31, 2012 |
| OPERATING EXPENSES | | | |
| Automobile expense | — | 1,152 | 28,943 |
| Bank charges | 393 | 84 | 7,983 |
| Compensation | 0 | — | 35,446 |
| Unpaid accumulated compensation | 100,000 | 115,375 | 1,078,360 |
| Depreciation & amortization expense | 3,228 | 2,635 | 103,310 |
| License and permits | 6,920 | — | 14,841 |
| Marketing | 54,275 | — | 54,275 |
| Office expense | — | 859 | 20,117 |
| Office supplies | 821 | — | 15,985 |
| Payroll taxes | 11,151 | 12,916 | 92,579 |
| Printing and reproduction | 160 | 73 | 16,588 |
| Professional fees | 44,008 | 80,978 | 2,388,411 |
| Rent expense | 5,098 | — | 10,770 |
| Research and development expense | — | — | 596,438 |
| Telephone expense | 478 | 162 | 23,873 |
| Travel expense | 418 | — | 105,902 |
| Website development expense | — | — | 14,110 |
| Other expenses | 551 | 524 | 54,517 |
| Total Operating Expenses | 227,501 | 214,758 | 4,662,447 |
| OTHER INCOME & (EXPENSE) | | | |
| Interest income | 804 | 1,140 | 17,802 |
| Other income | — | — | 490 |
| Interest expense | (16,784) | (1,667) | (180,708) |
| Total Other Income and Expense | (15,979) | (527) | (162,416) |
| NET (LOSS) | (243,480) | (215,285) | (4,824,863) |
| Weighted average number of common shares outstanding | 91,115,295 | 29,915,120 | 39,206,993 |
| Net (Loss) per common shares outstanding | \$* | \$(0.01) | \$(0.12) |

* Less than \$0.01

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

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Table of Contents**REVOLUTIONARY CONCEPTS, INC.**
(A Development Stage Company)**STATEMENTS OF CASH FLOWS****For the Three Months Ended March 31, 2012 and 2011**
and the period from March 12, 2004 (Inception) to September 30, 2011

| | For the Three Months Ended | | March 12, 2004 |
|---|-----------------------------------|-----------------------|---|
| | March 31, 2012 | March 31, 2011 | (Inception) to December 31, 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net (Loss) | \$(243,480) | \$(215,285) | \$(4,824,863) |
| Adjustments to reconcile (net loss) to net cash (used in) operating activities: | | | |
| Depreciation and amortization | 3,228 | 2,635 | 100,240 |
| (Increase) in other assets | — | — | (114,163) |
| Common shares issued for services received and officer compensation | 4,990 | — | 1,483,146 |
| Increase (decrease) in accounts payable | (27,002) | 75,766 | 193,223 |
| Increase (decrease) in accrued expenses and other liabilities | 107,514 | 129,959 | 731,124 |
| NET CASH (USED IN) OPERATING ACTIVITIES | (154,750) | (6,925) | (2,431,292) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of computer equipment | — | — | (12,231) |
| Investment in patent costs | (4,446) | — | (103,985) |
| NET CASH (USED BY) INVESTING ACTIVITIES | (4,446) | — | (116,216) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Issuance of common stock shares from private placements | — | — | 1,754 |
| Issuance of common stock shares for warrants | — | — | 18,470 |
| Issuance of common stock shares for retirement of debt | 26,000 | — | 138,371 |
| Issuance of notes payable | 134,000 | 5,000 | 1,367,297 |
| Retirement of notes payable | — | — | (342,836) |
| Paid in capital from private placements and warrants | — | — | 992,471 |
| Capital contributions | — | — | 462,774 |
| Common stock shares repurchased with cash | — | — | (9,644) |
| Unpaid capital contributions (see note 3) | (804) | 1,741 | (81,149) |
| NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES | 159,196 | 6,741 | 2,547,508 |
| NET INCREASE (DECREASE) IN CASH | 0 | (184) | (0) |
| CASH AND CASH EQUIVALENT BALANCE BEGINNING OF PERIOD | \$— | \$184 | \$— |
| CASH AND CASH EQUIVALENT BALANCE END OF PERIOD | \$0 | \$— | \$(0) |

SUPPLEMENTAL DISCLOSURES

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| | | | |
|---|-----------|-----|-----------|
| Interest paid | \$16,784 | \$— | \$32,836 |
| Taxes paid | \$— | \$— | \$— |
| Issuance of common stock for the conversion of debt | \$138,461 | \$— | \$188,627 |

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

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REVOLUTIONARY CONCEPTS, INC.

(A Development Stage Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations - Revolutionary Concepts, Inc. (the “Company”) was originally organized in North Carolina on March 12, 2004. On February 28, 2005 the Company was reorganized and re-domiciled as a Nevada corporation. The Company is in the product development stage. Recently, the Company completed the initial development of a working prototype of the EyeTalk® Communicator (“EyeTalk®”). This technology has many applications. The EyeTalk® specifically provides wireless technology that offers consumers an opportunity to interact with visitors to their front door. This is initiated through a doorbell or a motion sensor, which sets off a series of events that result in a phone call to the consumer who then can interact with the visitor through both video and audio. This same wireless technology could also be made portable so that you could see a child’s sporting event or school play even when you not present. The Company is also exploring other applications for the technology. The Company may need to raise additional capital to further develop the EyeTalk® and to begin the commercialization of the EyeTalk® technology. We have obtained a number of patents on certain key components of the technology.

Basis of presentation - These financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America and have been consistently applied in the preparation of the financial statements on a going concern basis, which assumes the realization of assets and the discharge of liabilities in the normal course of operations for the foreseeable future. The Company maintains its financial records on an accrual method of accounting. The Company’s ability to continue as a going concern is dependent upon continued ability to obtain financing to repay its current obligations and fund working capital until it is able to achieve profitable operations. The Company will seek to obtain capital from equity financing through the exercise of warrants and through future common share private placements. The Company may also seek debt financing, if available. Management hopes to realize sufficient sales in future years to achieve profitable operations. There can be no assurance that the Company will be able to raise sufficient debt or equity capital on satisfactory terms. If management is unsuccessful in obtaining financing or achieving profitable operations, the Company may be required to cease operations. The outcome of these matters cannot be predicted at this time. These financial statements do not give effect to any adjustments which could be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing from those reflected in the financial statements.

Revenue recognition – The Company will recognize sales revenue at the time of delivery when ownership has transferred to the customer, when evidence of a payment arrangement exists and the sales proceeds are determinable and collectable. Provisions will be recorded for product returns based on historical experience. To date, the Company’s revenue is primarily comprised of interest income.

Options and warrants issued – The Company allocates the proceeds received from equity financing and the attached options and warrants issued, based on their relative fair values, at the time of issuance. The amount allocated to the options and warrants is recorded as additional paid in capital.

Stock-based compensation – The Company accounts for stock-based compensation at fair value in accordance with the provisions of the Financial Accounting Standards Board’s Accounting Standards Codification (“ASC”) Topic 718, “Stock Compensation”, which establishes accounting for stock-based payment transactions for employee services and goods and services received from non-employees. Under the provisions of ASC Topic 718, stock-based compensation cost is measured at the date of grant, based on the calculated fair value of the award, and is recognized as expense in the consolidated statements of operations pro ratably over the employee’s or non-employee’s requisite service period, which is generally the vesting period of the equity grant. The fair value of stock option awards is generally determined using the Black-Scholes option-pricing model. Restricted stock awards and units are valued using the market price of the Company’s common stock on the grant date. Additionally, stock-based compensation cost is recognized based on awards that are ultimately expected to vest, therefore, the compensation cost recognized on stock-based payment transactions is reduced for estimated forfeitures based on the Company’s historical forfeiture rates. Additionally, no stock-based compensation costs were capitalized for the three months ended March 31, 2012 and for the periods from inception (March 12, 2004) to March 31, 2012, no stock options were committed to be issued to employees.

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Income taxes – Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards that are available to be carried forward to future years for tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When it is not considered to be more likely than not that a deferred tax asset will be realized, a valuation allowance is provided for the excess. Although the Company has significant loss carry forwards available to reduce future income for tax purposes, no amount has been reflected on the balance sheet for deferred income taxes as any deferred tax asset has been fully offset by a valuation allowance.

Reclassifications – None.

Loss per share – Basic loss per share has been calculated using the weighted average number of common shares issued and outstanding during the year.

Use of Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions, where applicable, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. While actual results could differ from those estimates, management does not expect such variances, if any, to have a material effect on the financial statements.

Research and Development Costs - Research and development costs are expensed as incurred in accordance with generally accepted accounting principles in the United States of America. *Research* is planned search or critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service or a new process or technique or in bringing about a significant improvement to an existing product or process. Development is the translation of research findings or other knowledge into a plan or design for a new product or process or for a significant improvement to an existing product or process whether intended for sale or use. It includes the conceptual formulation, design, and testing of product alternatives, construction of prototypes, and operation of pilot plants. It does not include routine or periodic alterations to existing products, production lines, manufacturing processes, and other on-going operations even though those alterations may represent improvements and it does not include market research or market testing activities. Elements of costs shall be identified with research and development activities as follows: The costs of materials and equipment or facilities that are acquired or constructed for research and development activities and that have alternative future uses shall be capitalized as tangible assets when acquired or constructed. The cost of such materials consumed in research and development activities and the depreciation of such equipment or facilities used in those activities are research and development costs. However, the costs of materials, equipment, or facilities that are acquired or constructed for a particular research and development project and that have no alternative future uses and therefore no separate economic values are research and development costs at the time the costs are incurred. Salaries, wages, and other related costs of personnel engaged in research and development activities shall be included in research and development costs. The costs of contract services performed by others in connection with the research and development activities of an enterprise, including research and development conducted by others in behalf of the enterprise, shall be included in research and development costs.

Depreciation – Depreciation is computed using the straight-line method over the assets' expected useful lives. Valuation of Long-Lived Assets - The Company periodically analyzes its long-lived assets for potential impairment, assessing the appropriateness of lives and recoverability of unamortized balances through measurement of undiscounted

operating cash flows on a basis consistent with accounting principles generally accepted in the United States of America.

Intangible and Other Long-Lived Assets, Net - (Included in Accounting Standards Codification (“ASC”) 350 “Goodwill and Other Intangible Assets” previously SFAS No. 142 and ASC 985 “Accounting for Costs of Computer Software to be Sold, Leased, or Otherwise Marketed” previously SFAS No. 86)

Intangible assets are comprised of software development costs and legal fees incurred in order to obtain the patent. The software development costs are capitalized in accordance with SFAS 86. Costs of producing product masters incurred subsequent to establishing technological feasibility shall be capitalized. Those costs include coding and testing performed subsequent to establishing technological feasibility. Software production costs for computer software that is to be used as an integral part of a product or process shall not be capitalized until both (a) technological feasibility has been established for the software and (b) all research and development activities for the other components of the product or process have been completed. The fees incurred in order to obtain the patent are capitalized in accordance with SFAS 142 “Goodwill and Other Intangible Assets. This Statement applies to costs of internally developing identifiable intangible assets that an entity recognizes as assets APB Opinion 17, paragraphs 5 and 6. The Company periodically analyzes its long-lived assets for potential impairment, assessing the appropriateness of lives and recoverability of unamortized balances through measurement of undiscounted operating cash flows on a basis consistent with accounting principles generally accepted in the United States of America.

Amortization – Deferred charges are amortized using the straight-line method over six years.

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NOTE 2 – RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and do not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

In January 2011, the FASB released Accounting Standards Update No. 2011-01 (“ASU 2011-01”), Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20, which deferred the disclosure requirements surrounding troubled debt restructurings. These disclosures are effective for reporting periods ending on or after June 15, 2011. We do not expect the disclosure requirements to have a material impact on our current disclosures.

In April 2011, the FASB released Accounting Standards Update No. 2011-02 (“ASU 2011-02”), Receivables (Topic 310): A Creditor’s Determination of Whether a Restructuring is a Troubled Debt Restructuring. ASU 2011-02 clarifies the guidance for determining whether a restructuring constitutes a troubled debt restructuring. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must conclude that 1) the restructuring constitutes a concession and 2) the debtor is experiencing financial difficulties. ASU 2011-02 also requires companies to disclose the troubled debt restructuring disclosures that were deferred by ASU 2011-01. The guidance in ASU 2011-02 is effective for public companies in the first reporting period ending on or after June 15, 2011, but the amendment must be applied retrospectively to the beginning of the annual period of adoption. ASU 2011-02 is not expected to materially impact our consolidated financial statements.

No other accounting standards or interpretations issued recently are expected to have a material impact on the Company’s consolidated financial position, operations or cash flows.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Board of Directors have authorized the officers of the Company to receive advances from the Company for the foreseeable future, in lieu of taking compensation, under terms of promissory notes bearing 5% interest, beginning January 1, 2006. As of March 31, 2012 and 2011, the advances totaled \$80,345 and \$81,149, respectively. These advances are described as unpaid capital contributions for financial reporting purposes.

Ronald Carter. Under Ronald Carter’s employment agreement, he has agreed to serve as the President and Chief Executive Officer. His term of service under this agreement commenced on April 1, 2010 and continues for a term of two (2) years with renewal options. The agreement provides for a base salary of \$200,000 for the first year of the term and an annual increase of at least 8% thereafter. The agreement also provides Mr. Carter with cash and equity incentives based on performance that must be approved by the Board of Directors. The agreement also provides for participation in the Company’s programs to acquire options or equity incentives in common stock subject to the discretion of the Board of Directors, expense reimbursements, participation in retirement and benefit plans, paid time off and indemnification and liability coverage. The Company can terminate Mr. Carter's employment with cause, or without cause upon certain written notice and Mr. Carter can terminate the agreement for "good reason" as defined in the agreement. There are specific severance provisions, as well as confidentiality and non-solicitation requirements resulting from any termination.

Solomon Ali. Under Solomon Ali's employment agreement, he has agreed to serve as the Senior Vice President. His term of service under this agreement commenced on August 16, 2010 and continues for a term of two (2) years with renewal options and was revised on January 1, 2012. The agreement provides for a base salary of \$174,000 for the first year of the term and an annual increase of at least 8% thereafter. The agreement also provides Solomon Ali with cash and equity incentives based on performance that must be approved by the Board of Directors. The agreement also

provides for participation in the Company's programs to acquire options or equity incentives in common stock, subject to the discretion of the Board of Directors, expense reimbursements, participation in retirement and benefit plans, paid time off and indemnification and liability coverage. The Company can terminate Solomon Ali's employment with cause, or without cause upon certain written notice and Solomon Ali can terminate the agreement for "good reason" as defined in the agreement. There are specific severance provisions, as well as confidentiality and non-solicitation requirements resulting from any termination.

On October 5, 2010, the Company received notice that a claim for judgment had been filed in Mecklenburg County by a shareholder for the note that was in default as of May 2010. On January 7, 2011, the note holder amended the filing to include the personal loan. The amount of the claim was \$100,996, plus interest at 8% and legal costs. On the 10th day of May 2011, a summary judgment was entered on behalf of the plaintiff against Mr. Carter and the Company. On the 4th day of August 2011, the Company reached an agreement with a third party to negotiate and acquire the judgment award and to agree to a convertible note from the Company for its services. The total value of the convertible note is \$144,067 including interest, of which the Company has received a promissory note from Mr. Carter for \$112,663 for the part of the judgment, interest and fees that was from the personal promissory note that the Company guaranteed.

On August 4, 2011, the Company issued 6,600,000 restricted common shares to the officers of the Company, for contributions to the Company over the past year. The shares were recorded at the market price on the date of issue of an aggregate of \$340,000 (Also See Note 8).

On October 1, 2011 the Company entered into a two (2) year convertible Promissory Note with its President and CEO, Ronald Carter for \$92,308 at 10% interest for the balance of the accrued compensation owed to him for the fiscal year 2010 in accordance with his Employment Agreement. The holder has the right to convert the note to common stock at \$.005. On March 30, 2012, this Note was converted to 18,461,544 and reduced our Long Term Notes by \$92,308.

On October 1, 2011 the Company entered into a two (2) year convertible Promissory Note with its Vice President, Solomon Ali for \$46,154 at 10% interest for the accrued compensation owed to him for the fiscal year 2010 in accordance with his Employment Agreement. The holder has the right to convert the note to common stock at \$.005. On March 30, 2012, this Note was converted to 9,230,768 and reduced our Long Term Notes by \$46,154.

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| <u>Accounts payable consist of the following:</u> | H3/31/12 | I2/31/11 |
|---|-----------|-----------|
| Professional fees | \$49,830 | \$33,267 |
| Other | 2,857 | 11,695 |
| Legal fees | 132,335 | 125,063 |
| Consulting fees | 8,200 | 50,200 |
| | \$193,222 | \$220,225 |

NOTE 5 – COMITMENTS AND CONTENGINCIES

Liabilities for loss contingencies, arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Recoveries from third parties, which are probable of realization are separately recorded, and are not offset against the related liability, in accordance with FASB No. 39, “Offsetting of Amounts Related to Certain Contracts.” The Company is the plaintiff in a lawsuit seeking damages against the law firm retained to file for “EyeTalk®” product patent.

For several years, the Company has been engaged in litigation against its former patent attorneys for malpractice arising from a missed filing deadline relating to obtaining patents for the Company’s core technologies outside the United States. After a two-year fight over jurisdiction in the case, including wins for the Company at the trial court and at the North Carolina Court of Appeals, the case was remanded to the trial court for further proceedings. Unfortunately, the trial court dismissed the case on a technicality, potentially ending the case. The Company's trial counsel have assured the Company that the judge's ruling is contrary to law and that good grounds exist for appeal. A decision about whether to appeal is forthcoming.

In July and August 2009, the Company issued two notes payable in the total amount of \$20,000. The two notes were later combined at the note holder’s request into one note. The note bears interest at a rate of 10%. Principal and interest were due in May 2010. In 2009, the Company’s Board of Directors agreed to guarantee a personal loan to the President of the Company, Mr. Ron Carter, of \$75,000 with interest of 10%, by a shareholder. The note became due in November 2010.

On October 5, 2010, the Company received notice that a claim for judgment had been filed in Mecklenburg County by a shareholder for the note that was in default as of May 2010. On January 7, 2011, the note holder amended the filing to include the personal loan. The amount of the claim was \$100,996, plus interest at 8% and legal costs. On the 10th day of May 2011, a summary judgment was entered on behalf of the plaintiff against Mr. Carter and the Company. On the 4th day of August 2011, the Company reached an agreement with a third party to negotiate and acquire the judgment award and to agree to a convertible note from the Company for its services. The total value of the convertible note is \$144,067 including interest, of which the Company has received a promissory note from Mr. Carter for \$112,663 for the part of the judgment, interest and fees that was from the personal promissory note that the Company guaranteed.

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NOTE 6 – CAPITAL FINANCING

The Company, through a Private Placement Memorandum (“PPM”) dated April 24, 2007, raised capital of \$321,100. The PPM offered 642,200 shares of common stock at a price of \$.50 per share. Expenses of this offering, \$18,000, were paid from the proceeds and included legal and accounting expenses, filing fees, printing costs and other offering costs. No commission, discount, finder’s fee or other similar remuneration or compensation was paid, directly or indirectly to any person for soliciting any prospective purchaser. This was a non-contingent offering and there was no minimum number of shares required to be sold, except the minimum of \$1,000 (2,000 shares) per purchaser was required to accredited investors. During 2009, the Company raised \$139,500 in a private placement priced at \$1.25 per share for a total of 111,600 shares and had 10,000 Class A warrants exercised at \$0.65 per share and 10,000 Class B warrants exercised at \$0.90 per share, for 20,000 common shares. During the nine months ending September 30, 2010 the Company had 14,538 Class A warrants exercised at \$0.65 per share and 10,000 Class B warrants exercised at \$0.90 per share, for 24,538 common shares, increasing paid in capital \$18,450. The warrants have now expired and no further warrants may be exercised.

The patent number US 7,193644 B2, for the prototype was successfully obtained on March 20, 2007. In accordance with FASB 86, the Company has established a technological feasibility date on July 21, 2004, the date that Phase I was delivered and presented. The software development costs have been analyzed and it has been determined that all software development costs were incurred subsequent to the feasibility date. The useful life of capitalized software costs has been assumed to be 5 years. Total software development costs were \$32,200 and the appropriate minimum amortization has been taken, also in accordance with FASB 86. The following are patent pending applications; Video system for individually selecting and viewing events at a venue. The Detection and viewing system method for providing multiple viewing opportunities of events at a venue. Feeding pacifier with removable fluid source. Mole surveillance system. Medical audio/video communications system. Real estate audio/video monitoring communication system. As of December 31, 2011, the Company has expensed \$99,539 for filing and legal fees related to our patent and patent pending intellectual property.

NOTE 7 – COMMON STOCK SHARES FOR SERVICES RECEIVED

On August 4, 2011, the Company issued 276,500 restricted common shares for professional services provided to the Company. The shares were recorded at the market price on the date of issue of an aggregate of \$13,825.

On August 4, 2011, the Company issued 6,600,000 restricted common shares to the officers of the Company, for contributions to the Company over the past year, the shares were recorded at the market price on the date of issue of an aggregate of \$340,000 (Also See Note 3).

On March 21, 2012, the Company issued 159,000 restricted common shares for professional services provided to the Company and expensed in 2011. The issuance reduced the Company’s accounts payable and accrued expenses by a total of \$4,990.

NOTE 8 – CONVERSION OF DEBT TO EQUITY

During November and December 2010, the Company issued 13,517,200 shares of restricted common stock to the note holders in exchange for the retirement of debt and interest payable. To date, these shares have retired \$52,000 in accounts payable.

On August 4, 2011, the Company converted two of its long term notes payable dated December 30, 2010 and January 13, 2011, for a total of \$62,205 and issued 12,441,068 restricted common shares of which 2,200,000 shares had

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previously been issued, for that conversion. This conversion of debt reduced our long-term notes payables \$62,205, and upon conversion the accrued interest payable of \$2,915 was forgiven.

On December 13, 2011, the Company received a notice of conversion from an unrelated third party as part of the settlement of the judgment against the Company and its President Ronald Carter for \$10,033,152. This conversion of debt reduced our long-term notes payables \$50,166.

On March 21, 2012, the Company completed a partial conversion of one of its Notes payable dated April 30, 2011, with a principal amount of \$76,194. A total of \$26,000 worth of the Note was converted, and 11,817,900 common shares were issued for that part of the conversion, which leaves a remaining balance of \$50,194 of the principal of the Note. No accrued interest was paid on the Note upon conversion. This conversion of debt reduced the Company's Long Term Notes payables by \$26,000.

On March 21, 2012, the Company issued 159,000 restricted common shares for professional services provided to the Company and expensed in 2011. The issuance reduced the Company's accounts payable by \$4,990.

On March 30, 2012, the Company completed a conversion of one of its Notes payable to one of our Officers and Directors, Mr. Solomon Ali, dated October 1, 2011, with a principal amount of \$46,154. The Note was converted, and 9,230,768 common shares were issued for the conversion. No accrued interest was paid on the Note upon conversion. This conversion of debt reduced the Company's Long Term Notes payables by \$46,154.

On March 30, 2012, the Company completed a conversion of one of its Notes payable to one of our Officers and Directors, Mr. Ronald Carter, dated October 1, 2011, with a principal amount of \$92,308. The Note was converted, and 18,461,544 common shares were issued for the conversion. No accrued interest was paid on the Note upon conversion. This conversion of debt reduced the Company's Long Term Notes payables by \$92,308.

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During 2010, the Company reclassified \$289,787 in accounts payable to long term notes payable in the amount of \$204,836 and \$84,950 to accrued interest payable, to reflect the assignment by three of our creditors of their balance to a note that will be paid one year or more past the original due date. The \$204,836 of the notes do not bear any interest and begin coming due and payable in July 2011. The notes can be converted to restricted common stock. In October 2011, these notes were modified and two of the notes were assigned to an unrelated third part; See Notes dated October 1, 2011 below.

For the period ended March 31, 2012, the Company has issued several long term notes payable for a total of \$134,000 and retired \$138,462 in long term notes payable. The notes bear an interest of 10% to 12% and begin becoming due starting in April 2013. The notes can be converted to restricted common stock.

NOTE 10 LONG TERM NOTES PAYABLE

| | March 31, 2012 | December 31, 2011 |
|--|-------------------|----------------------|
| On December 30, 2010 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$19,705 at 10% interest. The holder has the right to convert the note to common stock. On August 4, 2011 this Note was converted. | — | — |
| On December 31, 2010 the Company entered into a two (2) year convertible Promissory Note with three non-related creditors for \$289,787, which included \$84,950 in prior accrued interest payable at 0% interest. The holders have the right to convert the note to common stock. On October 1, 2011, these Notes were modified to include interest and two were assigned by the original note holders to an unrelated third party. | — | — |
| On January 15, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$42,500 at 10% interest. The holder has the right to convert the note to common stock. On August 4, 2011 this Note was converted. | — | — |
| On April 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$76,194 at 10% interest. On March 21, 2012, this \$26,000 of this Note was converted. | 50,194 | 76,194 |
| On April 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$12,000 at 10% interest. The holder has the right to convert the note to common stock. | 12,000 | 12,000 |
| On May 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$12,000 at 10% interest. The holder has the right to convert the note to common stock. | 12,000 | 12,000 |
| On May 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$10,000 at 10% interest. The holder has the right to convert the note to common stock. | 10,000 | 10,000 |
| | 17,500 | 17,500 |

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| | | |
|---|---------|---------|
| On June 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$17,500. The holder has the right to convert the note to common stock. | | |
| On August 4, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$140,663 and \$3,404 in interest. The holder has the right to convert the note to common stock. On November 30, 2011, the holder converted \$50,166 of the note leaving a principal balance due of \$90,497. | 90,497 | 90,497 |
| On August 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$44,600 at 10% interest. The holder has the right to convert the note to common stock. | 44,600 | 44,600 |
| On September 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$177,522 at 10% interest. The holder has the right to convert the note to common at stock. | 177,522 | 177,522 |
| On October 1, 2011 the Company entered into a two (2) year convertible Promissory Note with Ronald Carter, its President and CEO for \$92,308 at 10% interest for the accrued compensation owed to him for the fiscal year 2010 in accordance with his Employment Agreement. On March 30, 2012, this Note was converted. | — | 92,308 |
| On October 1, 2011 the Company entered into a two (2) year convertible Promissory Note with its Senior Vice President, Solomon Ali for \$46,154 at 10% interest for the accrued compensation owed to him for the fiscal year 2010 in accordance with his Employment Agreement. On March 30, 2012, this Note was converted. | — | 46,154 |
| On October 1, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$63,818 at 10% interest. The holder has the right to convert the note to common stock. This note was assigned to an unrelated third party and was originally issued 12/31/10 | 63,818 | 63,818 |
| On October 1, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$27,018 at 10% interest. The holder has the right to convert the note to common stock. This note was originally issued 12/31/10 | 27,018 | 27,018 |
| On October 1, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$198,950 at 10% interest. The holder has the right to convert the note to common stock. This note was assigned to an unrelated third party and was originally issued 12/31/10 | 198,950 | 198,950 |
| On October 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$8,700 at 10% interest. The holder has the right to convert the note to common stock. | 8,700 | 8,700 |
| On November 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$8,500 at 10% interest. The holder has the right to convert the note to common stock. | 8,500 | 8,500 |
| On December 30, 2011 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$4,700 at 12% interest. The holder has the right to convert the note to common stock. | 4,700 | 4,700 |

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On January 2, 2012 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$57,000 at 10% interest. The holder has the right to convert the note to common stock. 57,000 —

On January 31, 2012 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$28,000 at 12% interest. The holder has the right to convert the note to common stock. 28,000 —

On February 28, 2012 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$5,000 at 12% interest. The holder has the right to convert the note to common stock. 5,000 —

On March 30, 2012 the Company entered into a two (2) year convertible Promissory Note with a non-related creditor for \$70,000 at 12% interest. The holder has the right to convert the note to common stock. 70,000 —

Long-term portion of note payable \$886,000 \$890,461

In its efforts to expand and grow, the Company has issued debt instruments to borrow funds from various creditors to raise capital. These are long-term Notes with various rates and maturities, that grants the Note Holder the right, (but not the obligation), to convert them into common stock of the Company in lieu of receiving payment in cash. The issued Notes are secured obligations. The principal amount of the Notes may be prepaid upon agreement of both parties and a prepayment penalty, in whole or part at any time, together with all accrued interest upon written notice.

It could take several years to convert all of the Notes to stock if all of the lenders requested it. It is possible that some of the parties may never convert their Notes to stock and may take cash only, when the Company is in the best position to settle the obligation on a cash basis.

Principal maturities of notes payable as of March 31, 2012 for the next five years and thereafter is as follows:

| | |
|-------|-----------|
| 2011 | \$-0- |
| 2012 | \$309,492 |
| 2013 | \$416,508 |
| 2014 | \$160,000 |
| 2015 | \$-0- |
| Total | \$886,000 |

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NOTE 11 – GOING CONCERN

The losses, negative cash flows from operations, and negative working capital deficiency sustained by the Company raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

NOTE 12 – SUBSEQUENT EVENTS

On April 1, 2012 the Company entered into a two (2) year convertible Promissory Note with its President and CEO, Ronald Carter for \$200,000 at 10% interest for the balance of the accrued compensation owed to him for the fiscal year 2011 in accordance with his Employment Agreement. The holder has the right to convert the note to common stock at \$.005.

On April 1, 2012 the Company entered into a two (2) year convertible Promissory Note with its Vice President, Solomon Ali for \$174,000 at 10% interest for the accrued compensation owed to him for the fiscal year 2011 in accordance with his Employment Agreement. The holder has the right to convert the note to common stock at \$.005.

On April 30, 2012 the Company entered into a three (3) year convertible Promissory Note with a non-related creditor for \$15,000 at 12% interest. The holder has the right to convert the note to common stock at \$0.005 per share.

Unless otherwise noted, references in this Form 10-Q to "RCI", "we", "us", "our", and the "Company" means Revolutionary Concepts, Inc., a Nevada corporation.

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

Forward-Looking Statements

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this registration statement. Portions of this document that are not statements of historical or current fact are forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations and intentions. The cautionary statements made in this registration statement should be read as applying to all related forward-looking statements wherever they appear in this registration statement. From time to time, we may publish forward-looking statements relative to such matters as anticipated financial performance, business prospects, technological developments and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. All statements other than statements of historical fact included in this section or elsewhere in this report are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Important factors that could cause actual results to differ materially from those discussed in such forward-looking statements include, but are not limited to, the following: changes in the economy or in specific customer industry sectors; changes in customer procurement policies and practices; changes in product manufacturer sales policies and practices; the availability of product and labor; changes in operating expenses; the effect of price increases or decreases; the variability and timing of business opportunities including acquisitions, alliances, customer agreements and supplier authorizations; our ability to realize the anticipated benefits of acquisitions and other business strategies; the incurrence of debt and contingent liabilities in connection with acquisitions; changes in accounting policies and practices; the effect of organizational changes within the Company; the emergence of new competitors, including firms with greater financial resources than ours; adverse state and federal regulation and legislation; and the occurrence of extraordinary events, including natural events and acts of God, fires, floods and accidents.

Forward-looking statements involve risks, uncertainties and other factors, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors and risks that could affect our results and achievements and cause them to materially differ from those contained in the forward-looking statements include those identified in the section titled "Risk Factors" in the Company's Annual Report on Form 10-K for the period ended December 31, 2011, as well as other factors that we are currently unable to identify or quantify, but that may exist in the future.

In addition, the foregoing factors may affect generally our business, results of operations and financial position. Forward-looking statements speak only as of the date the statement was made. We do not undertake and specifically decline any obligation to update any forward-looking statements.

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Overview

We are a development stage company positioned to begin launch and license of our patented technologies in 2012. We were incorporated as a Nevada corporation on February 28, 2005 to reincorporate and re-domesticate two existing North Carolina entities; Revolutionary Concepts, Inc. and DVMS, LLC. We are engaged in the development of smart camera technologies that interface with smart handheld devices enabling remote monitoring.

Our efforts to date have been devoted to securing the intellectual framework around several key technologies and applications related to remote video monitoring. Advances in wireless technologies combined with increased data speed rates permits a very sophisticated and new means of monitoring, security and entry management.

We have branded is new smart technology “EyeTalk®”. EyeTalk® is a first generation smart camera technology that allows interactive two-way communication between a smart phone or other handheld device.

Unlike many IP cameras that simply produce and transmit an image, the EyeTalk® smart camera technology has embedded capabilities that distinguish it as a significant technological advancement over traditional camera systems.

In July of 2011, we engaged SIS Development Inc. to direct the development of this state of the art system. SIS Development, Inc. offers highly specialized, wing-to-wing commercial OEM product development services. SIS Development has an extensive track record of high volume product and software successes in Fortune 100 and startup environments alike. The initial product launch will be in the entry management space for both residential and commercial uses, with a medical application as an immediate spin-off.

We currently hold two (2) patents, and expects to have a total of seven (7) by the end of 2012. The 5 pending patents will fortify the claims of the initial patent award and position Revolutionary Concepts as a key player in the wireless camera space. Our management plans to implement a variety of commercialization strategies ranging from development to licensing to generate revenue and to capitalize on the opportunities made possible by the wave of new wireless products in the market place.

We have has funded development through three private offerings in 2005, 2007 and 2009. We have also borrowed \$307,500 from four non-related parties at 4% interest to fund ongoing operations, and new patent applications. These promissory notes began to become due in October 2008 and were repaid in November 2008 by issuing 630,811 shares of restricted common stock from authorized shares.

In July and August 2009, we issued two notes payable in the total amount of \$20,000. The two notes were later combined at the note holder’s request into one note. The note bears interest at a rate of 10%. Principal and interest were due in May 2010. In 2009, our Board of Directors agreed to guarantee a personal loan to the President of the Company, Mr. Ron Carte, of \$75,000 with interest of 10%, by a shareholder. The note became due in November 2010. On October 5, 2010, we received notice that a claim for judgment had been filed in Mecklenburg County by a shareholder for the note that was in default as of May 2010. On January 7, 2011, the note holder amended the filing to include the personal loan. The amount of the claim is \$100,996, plus interest at 18% and legal costs. On the 10th day of May 2011, a summary judgment was entered on behalf of the plaintiff against Mr. Carter and our company. On the 4th day of August 2011, we reached an agreement with a third party to negotiate and acquire the judgment award and to agree to a convertible note from us for their services. The total value of the convertible note is \$144,067 with no interest, of which we have received a promissory note from Mr. Carter for \$112,663 for the part of the judgment, interest and fees that was from the personal promissory note that we guaranteed

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In July 2010, we partnered with US Financial and Rainco Industries to consult in Investor Relations, introduction to institutional investors, assist with mergers and acquisitions, and to help develop a strategy to fund its growth. As a result of this partnership, we have resolved additional debt obligations, is now trading on both the US and Frankfurt stock exchanges, and are also now listed with Standards and Poors. In November 2011, we terminated our association with US Financial but retained the relationship with Rainco Industries.

Introduction to EyeTalk®

We are the patent holder of a wireless smart camera technology, branded EyeTalk®. EyeTalk® represents a very disruptive technology that integrates into an industry of new smart devices.... an industry on pace to establish a new era in everyday life across all lines.

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From Wire Industry News – February 2012;

“By most standards, the iPhone is considered by a lot of people to be one of the most successful products in business history, and there are many reasons why the majority of people and especially iPhone users think so.

So far, about 200 million iPhones have been sold since it was introduced in the spring of 2007, and 37 million of them in the last three months of 2011 alone.

And make no mistake-- the iPhone is a huge revenue generator! Just last quarter, it contributed to over \$24.39 billion in revenue for the fruity company from Cupertino, greater than the \$20.9 billion Microsoft made in all of its many businesses."

Apple also produces the iPad. iPad is a line of tablet computers designed, developed and marketed by Apple Inc., primarily as a platform for audio-visual media

Tech Crunch – March 2012

“Following Apple’s announcement yesterday of the new iPad’s record weekend, which saw 3 million devices sold in three days, analysts are upping their predictions for the tablet’s market share growth over the course of the year. In a note to investors, Gene Munster of Piper Jaffray says the firm is now forecasting as many as 66 million sales of the new device in 2012, up from the earlier prediction of 60 million. Meanwhile, Shaw Wu of Sterne Agee is now predicting 60 million, up from 55 million. Regardless of the final outcome, the bottom line impact the device will have on the market was summed up in Munster’s bullish note: “we believe the unprecedented ramp of the iPad over the past year is evidence that the tablet market will be measurably larger than the PC market,” he said. (emphasis added)

Our Revolutionary Concepts EyeTalk® technology represents a camera system with embedded intelligence. Moving beyond the typical take a picture, take a video and send it technology, the

EyeTalk® technology will activate and engage. The capabilities of the EyeTalk® system go beyond the ability to offer two way communication by incorporating an embedded processor that will ultimately be able to communicate and interpret while providing video surveillance and remote monitoring capabilities.

Wireless cameras, wireless communication devices such as smart phones and hand held devices represent the ultimate marriage of wireless technologies. Until we discover how to actually teleport people, wireless cameras and mobile monitors will allow people to literally be in two places at once.

Management believes our patent represents a very significant asset and advancement in camera technology.

The EyeTalk® technology is primarily a software platform with a hardware component of an external smart camera deployed at a chosen location. The system offers two-way communication and it streams video to designated PC or handheld devices such as PDA’s, smart phones or other smart devices. . The software interface allows the system to offer preprogrammed messages, greetings, commands, etc. The software maintains information captured by the EyeTalk® system. Access to the information may be achieved via a Personal Data Assistant (PDA), Handheld Computer (HC), Smart phone, or other compatible device. The EyeTalk® software platform will be able to communicate with many of the smartphone and other devices that are currently available in the market place.

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As a residential application, the EyeTalk® system provides a very effective and efficient means of entry management allowing seamless communication to and from a location to the owner to interact remotely with anyone who approaches with the benefit of audio, video and data communication. The system utilizes new technology to synergistically improve communication, security, convenience, messaging, and manage deliveries and guest.

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According to USBX (US Business Exchange), “iSuppli, a respected technology market research firm, announced this quarter that they project IP video surveillance camera revenue to grow to more than \$9.0 billion by 2011, a compound annual growth rate of 13.2%”. Declining cost of new surveillance technology have improved the viability of enhanced security systems while boosting the affordability and demand for basic security systems among families in the middle to lower-middle income strata of society.”

Management believes that the point of greatest significance is not the fact that our plans to participate in this space, but the fact that our company owns IP rights to the much anticipated wireless activity in the space.

Our company management has a careful eye on the transition many traditional security companies are attempting to make to a more practical video solution. Fortunately for us, our company owns the rights to the use of wireless cameras and their interface with wireless handheld devices.

The EyeTalk® system also records and archives data, video and audio records. The system provides a centralized control system using a user-friendly application with a means for storing digital images and provides enhanced security features.

We also recognize that we have entered an era where cellphone applications are just a matter of every day activity. An “AP” that offers individuals the ability to manage and monitor locations of interest is both very marketable and necessary.

Our management expects the EyeTalk® technology to provide three primary benefits:

Protection – EyeTalk® as a standalone system will provide a much safer platform because of its preemptive capabilities, or the EyeTalk® system may augment current residential and commercial security systems.

Monitoring – EyeTalk® may allow the user to better facilitate the task of entry management in non-threatening circumstances, such as latch key school children, and deliveries allowing the user to maintain better control and understanding of what is going on at any given location or property at any given time.

Convenience – EyeTalk® will add convenience to home and business owners, by providing a more responsive and efficient means of responding to, screening, and monitoring activity at a given location. Deliveries and service appointments can be better managed with a system such as EyeTalk®.

For all intents and purposes, we contend that traditional security and alarm services are ineffective, inefficient and costly. Across the country, in our belief, municipalities report false alarms at a rate exceeding 90%. The response time between an event and police arrival can be much too long. EyeTalk® represents a proactive response rather than a reactive one.

To insure the highest quality and product reliability, we entered into a development agreement with SIS Development to produce the initial EyeTalk system. We are committed to producing a very high quality, reliable and sophisticated system however the first generation of the EyeTalk® technology will not have all of the feature sets intended for future models, and will simply serve as the company’s initial launch and introduction.

SIS Development, Inc. offers highly specialized, wing-to-wing commercial OEM product development services. SIS has managed formidable, leading-edge design teams shipping millions of products a year and has an extensive track record of high volume product and software successes in Fortune 100 and startup environments alike.

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The President of SIS Development is Richard Kramer. Prior to founding SIS Development, Inc. and Security Industry Services, Inc., Richard Kramer served as General Manager-Technology and Vice President, Engineering at General Electric's GE Security division, where he led a progressive 250+ person organization with more than \$500M per year in revenue. He was responsible for managing 16 groups in 11 geographically dispersed locations, providing advanced Network, Software, Wireless, Enterprise/Commercial/Residential/Real Estate Solutions for the video surveillance (system software, IP solutions, communications, cameras, recorders, PTZs, video recognition technology), life safety (central station software, intrusion systems, software and sensors), and key control/real estate system software/product markets.

The EyeTalk® product development is in very capable and competent hands. Needless to say, we are thrilled to have SIS Development as a part of our team.

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INDUSTRY

Security industry stats from IMS Research by Geoff Kohl

First up is 2009.

In the Americas, here's how differing industries compared in a rough financial year. The semiconductor market was down 30%; industrial automation was down 15%; vehicle production was down 33% and consumer technology was down 6%. Despite those significant downturns in many major industries, the electronic security industry was down only 0.2%. Basically, that means our industry stayed flat during 2009.

Also in 2009, IMS saw network video up 25% and analog video down 7%. They saw a terrible year for analytics companies. While analytics was having trouble, megapixel video surveillance had a good year, even as HD emerged as a potential format of choice. Megapixel could even outpace "standard resolution" IP video usage by 2012 or 2013 based on what IMS saw in 2009.

Now to the future...

In 2013, in the Americas, video surveillance is going to be 43% of the total physical security systems market; that means a huge increase in terms of video's role in the overall market. Fire will be 20% (that's down from current market share per IMS); intrusion will be 11.2% (also down in overall market share); and access control will be 7.8% (again, that's down in overall market share -- a loss chiefly attributed video's strong growth rather than any failing in the access control market).

In 2010 (since that's the year we're dealing with now), IMS is forecasting a large number of mergers and acquisitions, which they think will happen because the capital funding for such purchase is finally coming back. They're expecting 2% growth in North America for security products as a whole, a growth number that pales in comparison to a 15.2% growth forecast for security products in China/India. While North America isn't going to see the banner year that China and India will see, it certainly is better than what IMS is forecasting for Europe -- which is a -4.8% decline in overall revenues attributed to the sale of security products."*

*Article not incorporated by reference.

The tipping point for when IP video takes over analog video in sales is going to be pushed back a year thanks to the bad economy of 2009; now it is forecasted to be 2013 or 2014 when that transition happens.

How to Capitalize on the Fastest Growing Trend in Residential Security By Jay Kenny – Feb 03, 2012

“Security dealers and integrators are recognizing that consumers increasingly rely on smartphones, tablets and other mobile devices to control home security, automation and energy management services. Alarm.com, a provider of interactive security solutions, has evidence to support this trend.

This shift in consumer behavior is driven both by the explosive adoption of mobile devices and the availability of dynamic apps and services for end users to unlock additional value from their security system. Usage trends are not limited to monitoring security events that occur in the home, but also extend to a range of relevant day-to-day interactive services such as receiving motion-triggered video clips when kids arrive home from school, alerts when cabinets are accessed, or the ability to remotely adjust thermostats, lights and door lock settings. It is a behavioral change that presents a new opportunity and should not be lost on security dealers and integrators. Mobile

connection to the security system has proven to be a successful way to improve retention of existing customers, drive new customer acquisition, deliver additional revenue-generating services, and differentiate a product offering as new entrants hit the market."*

*Article not incorporated by reference.

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EyeTalk® as stated previously represents a technology with embedded intelligence. This one key feature that we term *smart camera* technology, combined with smart phone technology is a very powerful and compelling combination of technologies. A key reason we define EyeTalk® a “disruptive technology”.

Mobile apps help close sales – Increasingly, feedback from Alarm.com partners is that one of the most powerful sales tactics is to show interactive system capabilities and features on a mobile device such as an iPhone, iPad or Android smartphone. This "mobile-first" approach in the sales cycle is more effective than showing mobile apps as a "nice-to-have" among a list of broader system features. We believe that once prospective customers see how easy and convenient it is to use a free app to arm the system, adjust the lights or watch live video of their property, their perceived value increases dramatically and distances the product offering from that of competitors.

Mobile services keep customers "sticky" – In addition to helping dealers close more sales, the mobile app significantly drives day-to-day use of the system, in turn increasing customer stickiness and reducing customer attrition. In fact, analysis conducted by Alarm.com in 2011 confirmed a direct correlation between a consumer's consistent interaction with their interactive security system and reduced attrition. Through an independent third party analysis, it was proven that customers with interactive accounts stay on longer than traditional security customers and those who are actively logging into their accounts via the Alarm.com website or mobile app attrite even less.

Mobile apps help meet rising consumer expectations – Current mobile trending shows people are not just becoming more comfortable with technology, but that they prefer the convenience of the mobile app to monitor and control home security system settings. Mobile apps enhance the value of the security platform and deliver access to key services consumers expect on-demand wherever they are, and from any device.

Mobility isn't just about remote access – It would be reasonable to assume that customers are solely utilizing mobile devices remotely to monitor and interact with security, video, energy and automation functions. But dealers and integrators report that for many customers the mobile app offers much more. Customers appreciate the ability to change system settings, lock doors or turn off lights from the living room couch or bedroom rather than having to do so from a physical keypad. Mobile apps also offer a new level of awareness and comfort by enabling the user to stay connected and essentially extend the value of the security system.

Mobile apps can drive sales for other services – Mobile apps can expose customers to additional services anchored to the security platform, especially when used as a sales tactic for a whole home solution. The ease of controlling home energy and seeing video through the same platform can create higher system value as well as increase the opportunity to attach add-on services and generate more RMR. Mobile apps help drive sales for system-integrated services such as video, energy management and home automation.

Below is an illustration of the security market segments. (2011)

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Future Plans and Potential Markets

Our management believes it has the capability to enter into a growing security marketplace with an explosive product at the perfect time.. Research and current trends suggest that the security industry will continue to experience increased spending and growth on detection devices such as EyeTalk®. Our companies Intellectual Property makes it more than just a provider but the outright owner of a very relevant and significant IP... a tremendous asset. We believe that the future of our company is bright and the options of development and/or licensing provide incredible latitude.

We systematically filed patents over the past decade in the areas of medical, institutional, child monitoring, home healthcare and real estate markers. As these assets are now manifesting themselves one by one, the company's plans are unfolding perfectly. Each of the aforementioned markets are monumental and perfectly suited for the IP in our portfolio.

Our management also believes that EyeTalk® has advantages over existing and competing technologies by virtue of its embedded intelligence and processing capabilities. Many of these capabilities may not relate to the security field at all, but may nonetheless be commercially useful. The additional commercial benefits of the EyeTalk® include:

- Virtual reception capabilities for offices and businesses
- Advanced operations management and remote supervision
- Remote on-line education and real-time teacher/student interface (homeschooling)
- Home healthcare monitoring and independent living capabilities
- Sports applications and entertainment

Sales Strategy

The company plans to utilize multiple sales and distribution channels.

Multi-level Marketing

Multi-level Marketing (MLM) is one of the sales strategies the company plans to employ. This idea was suggested by a vast number of shareholders who have MLM experience and can create an immediate sales force. As the company explored the MLM sales option, it became very evident that a MLM distribution channel could be very effective and lucrative. A number of key factors support this distribution approach.

Economic conditions make a MLM opportunity for people either out of work or needing to supplement their income 1) very attractive. This fact combined with product appeal make the sale of EyeTalk® through a MM model very attractive.

2) Rapid growth and rapid revenue potential for our company are very possible given the network of supporters and shareholders with interest in marketing and selling the EyeTalk® systems

MLM sales worldwide sales are in excess of \$100 billion dollars and growing annually. Every product category imaginable is now sold through MLM. Ease of entry, speed to market and relatively low startup marketing cost are two key factors to many companies selecting the MLM model. Products that are best sold through personal demonstration are highly successful in the MLM business model. A number of companies have entered the MLM industry and achieved over \$100 million in annual revenue in less than five (5) years and several have reached \$500 million or more in the same period. Although no assurances can be provided for our growth, it is not uncommon for

companies to achieve triple digit growth for a number of years in the startup phase.

Members of our management team, who are seasoned in the MLM industry, as well a number of our shareholders are considering establishing a contract with a new MLM company that would be formed and would have the exclusive marketing and distribution rights to the EyeTalk® home entry management system in the United States, with an option for other countries. Members of management may be involved in the organization and operation of the newly formed company. No assurances can be provided that such MLM company will be formed. All of these actions would require Board of Director approval and we would endeavor to ensure all Nevada corporate requirements and SEC statutory disclosure requirements would be met, prior to any action being taken.

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• **Licensing**

We currently hold the IP that provides the use of a wireless camera and it's interface with other devices enabling monitoring. The IP is very relevant to a multi-billion dollar industry. We plan to offer licensing opportunities to companies who wish to utilize this technology and aggressively defend its patent rights.

• **Internet Sales**

Management expects to sale a significant percentage of the EyeTalk® technology via direct internet sales. We are currently developing 3 commercials that will be airing of television networks, YouTube and our website. It is anticipated that these commercials will generate interest and sales.

• **Existing Security Companies**

The use of wireless camera technology is so effective and efficient today that every security company will have to include the technology in their product offerings in order to remain competitive. We will not only offer a wireless camera technology, but one our management believes will be vastly superior because of its smart capabilities. We are in the process of developing key relationships with industry leaders to identify the fortune 500 companies we will target.

• **Commercials and Advertising**

We have engaged the services of two individuals to assist in the development of its first 3 commercials to be aired on television networks, internet sites and the company's website.

Patent and Intellectual Property

On March 20, 2007, the United States Patent and Trademark Office issued to the Company a patent, number 7,193,644 B2. The patent abstract states:

“The invention is audio-video communication and answering system that synergistically improves communication between an exterior and an interior of a business or residence and a remote location, enables messages to be stored and accessed from both locally and remotely, and enables viewing, listening, and recording from a remote location. The system's properties make it particularly suitable as a sophisticated door answering-messaging system. The system has a DVMS module on the exterior. The DVMS module has a proximity sensor, a video camera, a microphone, a speaker, an RF transmitter, and an RF receiver. The system also has a computerized controller with a graphic user interface DVMS database application. The computerized controller is in communication with a public switching telephone network, and an RF switching device. The RF switching device enables communication between the DVMS module and the computerized controller. The RF switching device can be in communication with the other RF devices, such as a cell phone,