

CORNERSTONE TOTAL RETURN FUND INC
Form PRE 14A
October 17, 2014

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- [X] Preliminary Proxy Statement
 [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 [] Definitive Proxy Statement
 [] Definitive Additional Materials
 [] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

CORNERSTONE TOTAL RETURN FUND, INC.
(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
 [] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- | | |
|-----|---|
| (1) | Title of each class of securities to which transaction applies: |
| (2) | Aggregate number of securities to which transaction applies: |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction: |
| (5) | Total fee paid: |

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by the registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:
-

CORNERSTONE TOTAL RETURN FUND, INC.

7 Dawson Street
Huntington Station, New York 11746

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 8, 2014

To the Stockholders:

NOTICE IS HEREBY GIVEN that the Special Meeting of Stockholders (the "Meeting") of Cornerstone Total Return Fund, Inc., a New York corporation (the "Fund"), will be held at 11:30 a.m., eastern time, on December 8, 2014 at 1075 Hendersonville Road, Suite 250, Asheville, North Carolina, 28803, for the following purposes:

1. To approve a proposed one-for-four reverse stock split and the related amendment to the Certificate of Incorporation. (Proposal No. 1); and
2. To consider and vote upon such other matters as may properly come before said Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on October 27, 2014 as the record date for the determination of stockholders entitled to notice of, and to vote, at this Meeting or any adjournment thereof. The stock transfer books will not be closed.

Copies of the Fund's most recent annual and semi-annual reports may be ordered free of charge by any stockholder by writing to the Fund, c/o AST Fund Solutions, LLC, 48 Wall Street, 22nd Floor, New York, NY 10005, or by calling (866) 668-6558.

By Order of the Board of Directors

Gary A. Bentz
Secretary

Dated: October 31, 2014

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE FILL IN, DATE, SIGN AND MAIL THE ENCLOSED PROXY CARD IN THE ENCLOSED REPLY ENVELOPE. YOUR PROMPT RESPONSE WILL ASSURE A QUORUM AT THE MEETING.

INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and may allow the Fund to avoid the time and expense involved in validating your vote if you fail to sign your proxy card properly.

1. Individual Accounts: Sign your name exactly as it appears in the registration on the proxy card.
2. Joint Accounts: Either party may sign, but the name of the party signing should conform exactly to a name shown in the registration.
3. Other Accounts: The capacity of the individual signing the proxy card should be indicated unless it is reflected in the form of registration. For example:

REGISTRATION

CORPORATE ACCOUNTS

VALID SIGNATURE

- | | |
|---------------------------------------|-----------------------------------|
| (1) ABC Corp. | ABC Corp (by John Doe, Treasurer) |
| (2) ABC Corp. | John Doe, Treasurer |
| (3) ABC Corp. c/o John Doe, Treasurer | John Doe |
| (4) ABC Corp. Profit Sharing Plan | John Doe, Trustee |

TRUST ACCOUNTS

- | | |
|---|----------------------|
| (1) ABC Trust. | Jane B. Doe, Trustee |
| (2) Jane B. Doe, Trustee u/t/d 12/28/78 | Jane B. Doe |

CUSTODIAL OR ESTATE ACCOUNTS

- | | |
|---|------------------------------|
| (1) John B. Smith, Cust.
f/b/o John B. Smith, Jr. UGMA | John B. Smith |
| (2) John B. Smith | John B. Smith, Jr., Executor |
-

CORNERSTONE TOTAL RETURN FUND, INC.

7 Dawson Street
Huntington Station, New York 11746

PROXY STATEMENT

FOR
SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 8, 2014

GENERAL

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Cornerstone Total Return Fund, Inc., a New York corporation (the "Fund") for use at the Special Meeting of Stockholders (the "Meeting") to be held at 11:30 a.m., eastern time, on December 8, 2014 at 1075 Hendersonville Road, Suite 250, Asheville, North Carolina, 28803, and at any and all adjournments thereof. A form of proxy is enclosed herewith. This Proxy Statement and the accompanying form of proxy are being first mailed to stockholders of the Fund ("Stockholder(s)") on or about November 3, 2014.

Any Stockholder who executes and delivers a proxy may revoke it by written communication to the Secretary of the Fund at any time prior to its use or by voting in person at the Meeting. Attendance by a Stockholder at the Meeting does not, in itself, revoke a proxy. Unrevoked proxies will be voted in accordance with the specifications thereon and, unless specified to the contrary, will be voted FOR the approval of the proposed reverse stock split and the related amendment to the Certificate of Incorporation.

In general, abstentions and broker non-votes, as defined below, count for purposes of obtaining a quorum but do not count as votes cast with respect to any proposal where the broker does not have discretion. Since Proposal 1 is considered routine, broker non-votes will be counted as votes cast. A broker non-vote is a proxy from a broker or nominee indicating that such person has not received instructions from the beneficial owner or other person entitled to vote shares on a particular matter with respect to which the broker or nominee does not have discretionary voting power.

At least 51% of the Fund's Stockholders must be present at the Meeting in person or by proxy to constitute a quorum for the transaction of business by the Fund. In the event that a quorum is not present at the Meeting, the persons named as proxies may propose one or more adjournments of the Meeting from time to time. Any such adjournment will require the affirmative vote of a majority of those shares represented at the Meeting in person or by proxy. The persons named as proxies will vote those proxies which they are entitled to vote FOR or AGAINST any such proposal in their discretion.

The cost of soliciting the proxies will be borne by the Fund. Proxy solicitations will be made primarily by mail, but solicitations may also be made by telephone, telegraph or personal interviews conducted by officers of the Fund or AST Fund Solutions, LLC, the administrator to the Fund (the "Administrator").

·directing our marketing efforts through one of our two channels, either directly with the sales representative who understands the targets in the area or through our distributor with partnership marketing.
·attending strategic trade shows to grow our brand presence for our proprietary products. Because of our growing recognition in innovation, we need to be where the heads of the industries are, particularly at industry trade shows.

These areas, however, need forward-looking growth investment to understand the customers' needs and develop products accordingly. We are in line with market standards for quality, customer service and pricing. Our plan is to stay with this mark during our anticipated growth. We intend to expand according to our existing model. The expansion means more manufacturer representative coverage and outside sales people in strategic areas throughout the United States. We intend to eventually have field application engineers in the strategic areas driving designs at the customers' facility.

We Are Intent on Meeting the Needs of Our Customers

Our specific product offering ranges from audio jacks to industrial power supplies. While the bulk of our business is in power (ac-dc and dc-dc) products, we have a broad line of electromechanical components for the OEM manufacturer. Because the electromechanical technology continues to evolve at a rapid pace, we thrive on being flexible within the industry through our product offering and in how we conduct business. The primary focus areas for growth, however, are in engineering and in sales. Our products are supported on our website and the products with the highest amount of turnover are stocked and marketed in distribution centers. We strive to create collaborative relationships with our customers, seeking to meet their design needs in a timely and cost effective manner. We invest in our future and the future of our customers through new technologies, talented employees, expanded manufacturing capabilities and a growing global reach.

Anticipated Growth Strategy for Vergence® GasPT2

We are presently in the midst of our marketing efforts for our Vergence GasPT2 Inferential Natural Gas Monitoring Device, the GasPT2. Our strategy for GasPT2 has been to identify the large gas utility companies who would most likely provide opportunities for batch sales rather than single unit sales. Our ‘sale or return’ sales approach has been accepted very positively in Europe and the United States. Our approach focused strongly on the United Kingdom, Europe and the United States in 2011. For 2012, the Company will continue its efforts in those areas and also begin the process of taking GasPT2 to the Asian markets, with India identified as the test market. Beyond this we have a strategy which is based on identification of the main geographical locations for liquefied natural gas importation (pipelines and terminals), mixing and blending points and strategic locations for security of supply strategies which can be current or planned pipelines and import terminals where additional gas quality monitoring may be required.

In addition, we signed an exclusive distribution agreement for the UK with Orbital Gas Systems, Ltd., the largest specialty gas engineering company in England. In conjunction with Orbital, we have introduced the combined Vergence GasPT2 unit and Vergence V-Probe to National Grid the largest gas transmission/distribution company in the UK. We recently entered into a second five (5) year, exclusive distribution agreement for our Vergence™ technology with an Italian company, SOCRATE s.p.a. for sales, marketing, distribution and service of our Vergence™ GasPT2 gas metering device for Italy and North Africa, including Libya and Tunisia. The agreement calls for sales of as many as 2,000 to 3,000 units and is valued from \$40,000,000 to \$60,000,000 over the three-year term.

We plan to replicate this type of agreement with other large, regional gas engineering companies in Europe and North America and we are negotiating with several large Middle Eastern groups to place the device in the Gulf Region.

According to Global Industry Analysts, Inc. (GIA), the global GC market will reach more than \$1.5 billion by 2015. Admittedly, that market is mature and, according to GIA, is dominated by “aftermarket and accessories” sales. In contrast, the Vergence Technology is less expensive, more efficient and dramatically faster than any available GC. It provides almost real-time monitoring without the need for a large enclosure, carrier gas and, most significantly, regular technical support and calibration. Taking all of those factors into account, it is likely that the Vergence

Technology will rapidly and effectively penetrate a large segment of that \$1.5 billion market.

Acquisition Strategy:

We are constantly alert to potential acquisition targets, both in the form of technology and potential strategic partners. In that regard, we are repeatedly approached by inventors and others, most especially in the power industry, to assess and assist in commercialization and marketing of new technologies. These contacts largely arise because of our reputation and successes as well as our recent technology product line additions including Vergence, Novum and Solus. Moreover, much like when we acquired CUI, Inc., there are many small, well-run electronics companies that become available for multiple reasons. We will consider each of these potential opportunities as they arise with a careful analysis of the relevant synergies between any potential acquisition and our current business, along with the potential for increased revenue and/or market share.

Research and Development Activities

Research and development costs for CUI Global were \$791,332 for the year ended December 31, 2012 and \$716,321 for the same period during 2011. Research and development costs are related to the various technologies for which CUI Global has acquired licensing rights or is developing internally. The expenditures for research and development have been directed primarily towards the further development of Novum Advanced Power technologies including digital POLs and the Solus Topology, AMT Capacitive Encoders and towards the development of the Vergence GasPT2. The Company expects that research and development expenses will increase during 2013 as the Company continues to expand its product offering and technologies due to market acceptance and customer integration.

Employees

As of December 31, 2012, the Company, together with its consolidating subsidiaries, had sixty-two full-time and seven part-time employees. None of its employees is represented by a labor union. The Company considers its relations with its employees to be good. The Company plans to add additional staff as needed to handle all phases of its business.

Intellectual Property License Evolution

AMT[®] encoder technology:

Upon the acquisition of CUI, Inc., the Company obtained the relationship with the holder of the AMT encoder technology. Through an exclusive licensing contract with AnderMotion Technologies, LLC, signed on or about April 20, 2009, CUI acquired exclusive rights to manufacture, sell and distribute motion control devices utilizing the AMT encoder technology.

Novum[®] Digital POL technology

Through a non-exclusive licensing agreement with Power-One, Inc., signed on or about September 18, 2009, CUI has access to Power-One's portfolio of Digital Power Technology patents for incorporation into CUI's new line of digital point of load (POL) power modules.

Solus[®] advanced power topology technology

Through an exclusive licensing contract with California Power Research, Inc., signed on or about March 4, 2010, CUI acquired the exclusive rights to manufacture, market, sell, lease, maintain, give over and dispose of licensed product using the BPS-5 advanced power topology technology.

Vergence[®] GasPT2 technology

Through an exclusive licensing contract with GL Industrial Services UK, Ltd. (GL), formerly British-based Advantica, Ltd., signed on or about January 4, 2010, CUI Global acquired exclusive rights to manufacture, sell and distribute a Gas Quality Inferential Measurement Device (GasPT2) designed by GL on a worldwide basis.

Intellectual Property Protection

The Company relies on various intellectual property laws and contractual restrictions to protect its proprietary rights in products and services. These include confidentiality, invention assignment and nondisclosure agreements with its employees, contractors, suppliers and strategic partners. The confidentiality and nondisclosure agreements with employees, contractors and suppliers are in perpetuity or for a sufficient length of time so as to not threaten exposure of proprietary information. The Company retained Hartman and Hartman, P. C., Banner & Witcoff, Ltd. and Law Offices of William W. Haefliger to manage its current interests relative to the prosecution of the national and international patents. The Company intends to pursue the registration of our trademarks and service marks in the United States and internationally.

In an effort to concentrate our business focus on our core product development and marketing, in December 2011, we conveyed our WayCool and WayFast patent portfolio to Olantra Fund X, LLC for a cash payment of \$500,000.

Under the Trademark Act of 1946, as amended, the United States Patent and Trademark Office permitted our registration of the following trademarks that we actively maintain up to date: CUI INC, CUI Europe, V-Infinity, AMT, Novum, CUI Global, Simple Digital, Vergence and Solus.

The Company continuously reviews and updates the existing intellectual property filings and files new documentation both nationally and internationally (Patent Cooperation Treaty) in a continuing effort to maintain up to date protection of its intellectual property.

For those intellectual property applications pending, there is no assurance that the registrations will be granted. Furthermore, the Company is exposed to the risk that other parties may claim the Company infringes their existing patent and trademark rights, which could result in the Company's inability to develop and market its products unless the Company enters into licensing agreements with the technology owner or could force the Company to engage in costly and potentially protracted litigation.

Competitive Business Conditions

The industries in which the company competes are very broad. We operate a commoditized electromechanical parts distribution business that is focused on efficiency of delivery and competitiveness of pricing to differentiate our products from competitors. The market is subject to some volatility due to production requirements of large global firms. We feel that our electromechanical parts distribution business is diverse and broad. We have a very strong retail distribution partner that maximizes our product exposure to new designs and small to medium sized customers. We focus on the OEM market and supply higher levels of support, customer service and a constantly expanding product line, in order to further differentiate with our competitors. This product line ranges from a \$0.02 connector to the \$25,000 Vergence GasPT2 device – all different products for different customers. Additionally, we utilize third party

external sales representative organizations to penetrate new and better customers otherwise not readily available to the company.

CUI is becoming more recognized in the power supply market and has differentiated itself through technology with a foundation of legacy and product quality. As of December 31, 2012, our internal and external power products and related component sales account for approximately 88% of our revenues. We have added new products and technologies that will allow us to compete outside of price and more on innovative technology and strategic partnerships.

From the first full featured digital point-of-load dc-dc converter, to the highly dense intermediate bus converters that CUI is releasing, we believe that we are ahead of the market leaders in our market space and that the market is ready for new technologies and new ideas. We feel that there is a market shift to a digitally-based controller for power supply switching. Our strategy is to be a complete transformation for the industry as it will become a major part of the value sell to the end customer as well as a data collection point for energy consumption, two important elements for the industry.

Similarly, the Vergence natural gas inferential metering device, the GasPT2, competes in a mature industry with established competitors. There are significant investments being made globally into the natural gas extraction and transportation infrastructure. Our Vergence GasPT2 is a comparably low cost solution to measuring natural gas quality as compared to our best competition. It can be connected to a natural gas system to provide a fast, accurate, close to real time measurement of the physical properties, such as thermal conductivity, speed of sound and carbon dioxide content. From these measurements it infers an effective gas mixture comprising four components: methane, propane, nitrogen and measured carbon dioxide and then uses ISO6976 to calculate the gas quality characteristics of calorific value (CV), Wobbe index (WI), relative density (RD) and compression factor (Z)." This technology has been certified for use in fiscal monitoring by Ofgem in the United Kingdom and SNAM RETE in Italy. At present, there is no equivalent product competition. There are instruments like gas chromatographs, but they are slower and more complicated to use and as much as double the price of the GasPT2.

Dependence on Few Major Customers

During 2012, 59% of revenues were derived from five customers at 47%, 4%, 3%, 3%, and 2%. During 2011, 55% of revenues were derived from six customers at 41%, 4%, 3%, 3%, 2% and 2%.

The Company's major product lines in 2012 and 2011 were external power, internal power and industrial controls.

At December 31, 2012, of the gross trade accounts receivable from continuing operations totaling \$5,095,926, 57% was due from six customers: 37%, 8%, 3%, 3%, 3% and 3%. At December 31, 2011, of the gross trade accounts receivable from continuing operations totaling \$3,819,641, 53% was due from eight customers: 21%, 9%, 7%, 5%, 4%, 3%, 2% and 2%.

Philanthropic Philosophy

In an industry first, CUI has chosen that, in addition to sales commission, sales representative firms will also receive a charity commission to be donated to charities of their choice. One of CUI's core values is generosity which includes philanthropic giving. We give in our local community and we want to also give in the communities in which we do business.

Item 1A. Risk Factors

Smaller reporting companies are not required to provide information required by this item.

Item 1B. Unresolved Staff Comments

None.

12

Item 2. Properties

As an integrated part of the CUI asset acquisition, the CUI Global, Inc. corporate offices were relocated to the CUI location at 20050 SW 112th Avenue, Tualatin, Oregon 97062. CUI and CUI Global occupy the 61,380 square feet of offices and warehouse premises under a ten year non-cancelable lease agreement beginning September 1, 2006 with Barakel, LLC (a related party) at a base monthly rent subject to periodic base payment increases plus real property taxes, utilities, insurance and common area maintenance charges. During the year ended December 31, 2012, the monthly base rent was \$40,250 in accordance with the lease schedule. During the period January 1 through August 31, 2011, the monthly base rent was \$40,000 and increased in accordance with the lease schedule to \$40,250 for the period September 1 through December 31, 2011. Barakel, LLC is controlled by James McKenzie, majority owner of CUI, Inc. prior to acquisition and majority owner of IED, Inc. along with Matt McKenzie, COO, Corporate Secretary and Director of the Company.

The Company also leased office space in Malmo, Sweden pursuant to a renewable lease which terminated January 31, 2011. In addition to the base rent of (subject to periodic base lease payment increases), the Company was responsible for property taxes, maintenance and related VAT taxes. During the year ended December 31, 2012 and 2011, the monthly base rent was approximately \$0 and \$1,386, respectively.

Additionally, subsequent to the acquisition of CUI Japan and Comex Electronics, the Company had leased spaces in Tokyo, Japan and owned a small manufacturing facility on leased land in Nagano, Japan. The CUI Japan leased space in Tokyo, Japan expired January 31, 2012 and there was no rent expense for this space in 2012. CUI Japan subleased space from Comex Electronics during 2012 on a month to month basis, with monthly base rent of approximately \$1,253.

The discontinued operations of Comex Electronics had leased space in Tokyo, Japan with expirations between May 7, 2011 and September 9, 2011. In conjunction with these leases, Comex Electronics also leased parking spaces which leases expired December 31, 2010 and became a month to month agreement. Additionally, the discontinued operations of Comex Electronics had a land lease in Nagano with an expiration of August 11, 2019.

Rental expense was \$552,655 and \$592,573 in 2012 and 2011, respectively, and is included in selling, general and administrative on the statement of operations.

Item 3. Legal Proceedings

The Company and its subsidiaries are not a party in any legal proceedings. No director, officer or affiliate of the Company, any owner of record or beneficially of more than five percent of any class of voting securities of the

Company or any associate of any such director, officer, affiliate of the Company or security holder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

Item 4. Mine Safety Disclosure

Note applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Description of Securities

The Company's Common Stock is traded on The NASDAQ Stock Market under the trading symbol "CUI". The Company currently has authorized 325,000,000 common shares, par value \$0.001 per share, and as of December 31, 2012, the Company's issued and outstanding shares consisted of 10,883,280 shares of common stock of which 8,636,820 shares are freely tradable without restriction or limitation under the Securities Act. As of December 31, 2012, the Company had in excess of 3,000 shareholders of record. Effective September 17, 2012, the Board of Directors passed a resolution eliminating and discontinuing all Series A and B Convertible Preferred and Series C Preferred stock and requiring that all preferred stock shall be returned to the Company treasury. As of December 31, 2012, no shares of Series B and Series C Convertible Preferred Stock are issued nor outstanding.

The holders of Common Stock are entitled to one vote per share and do not have cumulative voting rights. Holders of the Company's Common Stock do not have any pre-emptive or other rights to subscribe for or purchase additional shares of capital stock and no conversion rights, redemption or sinking-fund provisions.

On August 23, 2011 the shareholders approved a reverse split of the issued and outstanding shares of \$0.001 par value common stock. The reverse split ratio was set at one for thirty (1:30) that became effective February 17, 2012. The reverse split was an element necessary for up-listing the common stock on The NASDAQ Stock Market that became effective February 17, 2012 under the trading symbol "CUI".

The reverse split did not affect any stockholder's proportionate equity interest in the Company or the rights, preferences, privileges or priorities of any stockholder, other than an adjustment due to fractional shares. The reverse split did not cause a significant change in the number of beneficial owners of our common stock. Likewise, the reverse split did not affect the total stockholders' equity in the Company or any components of stockholders' equity as reflected on the financial statements of the Company except to change the number of issued and outstanding shares of capital stock.

The company filed a Form S-1 registration statement to register 2,222,222 shares of \$0.001 par value common stock that became effective February 14, 2012. These shares of registered stock were sold to or through Merriman Capital, Inc. as our underwriter for ten million dollars (\$10,000,000). Our underwriting agreement contained an over-allotment provision that permitted our underwriter to purchase an additional 333,333 shares of our common stock which were

purchased by our underwriter for one million five hundred thousand dollars (\$1,500,000), less a 7.5% discount.

The following schedule shows the common stock issuances and remaining balance after each issuance resulting from the one for thirty (1:30) reverse split that became effective February 17, 2012 and the Form S-1 registration statement that became effective February 14, 2012.

	Common Stock Issued and Outstanding	Total Issued and Outstanding	Common Stock Available for Issuance
Total common stock outstanding and available prior to the 1:30 reverse-split	219,432,472	219,432,472	105,567,528
Total common stock outstanding and available after the reverse-Split declared effective February 14, 2012	7,314,416	7,314,416	317,685,584
Total of all fractional shares that were rounded up as a result of the reverse-split	97	7,314,513	317,685,487
Common stock sold for \$10,000,000 under our S-1 registration statement that the SEC declared effective February 14, 2012	2,222,222	9,536,735	315,463,265
Common stock sold for \$1,499,999 under the over-allotment provision of our underwriter agreement that was included in our S-1 registration statement	333,333	9,870,068	315,129,932

Use of Proceeds

We received \$8,913,302 in net proceeds from our sale of 2,222,222 common shares sold by us in the Form S-1 offering. Our net proceeds from this offering represent the amount we received after paying the underwriter commissions of \$750,000 and underwriting expenses of \$200,000. In conjunction with the Form S-1 Offering, we received \$1,387,499 in net proceeds from our sale of 333,333 common shares sold by us in the over-allotment offering. Our net proceeds from this offering represent the amount we received after paying the underwriter discount of \$112,500. Additionally, our total expenses related to this Form S-1 offering, including the over-allotment offering were \$136,698.

We received \$2,253,008 in net proceeds from our sale of 570,000 common shares sold by us. These 570,000 shares of common stock were included in an S-3 Registration Statement that the Company filed on April 13, 2012 that became effective upon filing. Net proceeds from this sale represent the amount received by CUI Global after paying \$312,017 expenses related to the sale.

As part of our business strategy, we pursue acquisitions of other businesses and technologies. We may use a portion of the proceeds to fund expansion of our current business through acquisitions or investments in other strategic businesses, products or technologies. We have no firm commitments or agreements with respect to any expansion or future acquisition opportunity at this time, although we assess opportunities on an ongoing basis and from time to time have discussions with other companies about potential transactions.

In February 2012, the company utilized \$4.0 million to repay the principal balance in full under the \$4.0 million term note with the Business Credit division of Wells Fargo Capital Finance, Wells Fargo Bank, N.A. Also in February 2012, the company paid \$3.0 million to repay a portion of the principal balance of the IED note payable associated with the acquisition of CUI, Inc. and \$35,000 was utilized to repay a convertible note payable owed to an officer of the company. Because of the number and variability of factors that will determine our use of the proceeds from this offering, their ultimate use may vary substantially from their currently intended use.

We have broad discretion in the way we use the net proceeds; however, we cannot predict with certainty all of the particular uses for the proceeds from these offerings or the amounts that we will actually spend on the uses set forth above. We have used a portion the net proceeds to fund working capital, capital expenditures and other general corporate purposes. The amounts and timing of our actual expenditures will depend upon numerous factors, including the progress of our product development and commercialization efforts, whether or not we enter into strategic collaborations or partnerships and our operating costs and expenditures. Our management has significant flexibility in applying the net proceeds of these offerings. The costs and timing of product development and marketing approval, particularly relating to electronic components, are highly uncertain, are subject to substantial risks and can often change. Accordingly, we may change the allocation of use of these proceeds as a result of such contingencies and other development activities, the establishment of collaborations, our manufacturing and distribution requirements and competitive developments.

We have used a portion of the proceeds from these offerings to create a public market for our common stock, allow us easier and quicker access to the public markets should we need more capital in the future, increase the profile and prestige of our company with existing and possible future registered users, vendors and strategic partners and make our stock more valuable and attractive to our employees and potential employees for compensation purposes.

Based on our current operating plan, we anticipate that the net proceeds of these offerings, together with our existing cash, cash equivalents and borrowing capacity under our revolving working capital line of credit with Wells Fargo Bank, National Association will be sufficient to enable us to maintain our currently planned operations.

Pending the uses as described above, we plan to invest a portion of the net proceeds in a variety of capital preservation investments, including short- and intermediate-term interest-bearing obligations, investment-grade instruments, certificates of deposit or guaranteed obligations of the United States government.

Market Value

The Company's Common Stock is traded on the NASDAQ Stock Market under the trading symbol "CUI". The following table sets forth, the high and low bid prices of our Common Stock for the four quarters of 2011 and 2012 as reported by the National Quotation Bureau and reflect inter-dealer prices without retail mark-up, markdown or commission and may not represent actual transactions. The 2011 prices have been adjusted to account for the one for thirty (1:30) reverse split that became effective February 17, 2012.

Year	Quarter	High Bid	Low Bid
2011	First Quarter	\$ 8.70	\$ 5.40
	Second Quarter	\$ 7.20	\$ 3.90
	Third Quarter	\$ 6.00	\$ 2.70
	Fourth Quarter	\$ 6.60	\$ 3.00

2012 First Quarter	\$ 6.50	\$ 4.60
Second Quarter	\$ 6.80	\$ 3.81
Third Quarter	\$ 7.48	\$ 5.06
Fourth Quarter	\$ 6.40	\$ 4.34

Dividend Policy

The Company has never paid cash dividends on its Common Stock and the Company does not expect to pay dividends in the foreseeable future.

We currently expect to retain future earnings to finance the growth and development of our business. The timing, amount and form of future dividends, if any, will depend, among other things, on our future results of operations and cash flows; our general financial condition and future prospects; our capital requirements and surplus; contractual restrictions; the amount of distributions, if any, received by us from our subsidiaries; and other factors deemed relevant by our board of directors. Any future dividends on our common shares would be declared by and subject to the discretion of our board of directors.

Common Stock Reserved for Future Issuances

Set forth below is a summary of the outstanding securities, transactions and agreements, which relate to 682,141 shares of common stock the Company is required to reserve for potential future issuances.

1. 682,141 common shares reserved for outstanding options issued under our Equity Compensation Plans

As of December 31, 2012, there were reserved for issuance an aggregate of 682,141 shares of common stock for options outstanding under the Company's 2008 Equity Incentive Plan and the Company's 2009 Equity Incentive Plan (Executive).

2. 1,979,083 common shares authorized for issuance under our Equity Compensation Plans

As of December 31, 2012, the Company has 1,979,083 common shares authorized and available for issuance under the Company option plans.

The approximate 2,246,460 shares of Common Stock held by existing shareholders as of December 31, 2012 that are "restricted" within the meaning of Rule 144 adopted under the Securities Act (the "Restricted Shares"), may not be sold unless they are registered under the Securities Act or sold pursuant to an exemption from registration, such as the exemption provided by Rule 144 promulgated under the Securities Act. The Restricted Shares were issued and sold by us in private transactions in reliance upon exemptions from registration under the Securities Act and may only be sold in accordance with the provisions of Rule 144 of the Securities Act, unless otherwise registered under the Securities Act.

Other than as described herein, as of the date of this filing, there are currently no plans, arrangements, commitments or understandings for the issuance of additional shares of Common Stock.

Employee Equity Incentive Plans

At December 31, 2012, the Company had outstanding the following equity compensation plan information:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	49,917	\$ 5.47	1,329,833
Equity compensation plans not approved by security holders	632,224	\$ 6.54	649,250
Total	682,141	\$ 6.46	1,979,083

Equity Compensation Plans Approved by Shareholders

On May 16, 2008 the Company's Board of Directors adopted the 2008 Equity Incentive Plan and authorized 1,500,000 shares of Common Stock to fund the Plan. At the 2008 Annual Meeting of Shareholders the Equity Incentive Plan was approved by the Company shareholders. At the 2009 Annual Meeting of Shareholders the shareholders approved an amendment to the 2008 Equity Incentive Plan to increase the number of common shares issuable under the plan from 1,500,000 to 3,000,000. All of these shares have been registered under Form S-8.

The 2008 Equity Incentive Plan is intended to: (a) provide incentive to employees of the Company and its affiliates to stimulate their efforts toward the continued success of the Company and to operate and manage the business in a manner that will provide for the long-term growth and profitability of the Company; (b) encourage stock ownership by employees, directors and independent contractors by providing them with a means to acquire a proprietary interest in the Company by acquiring shares of Stock or to receive compensation which is based upon appreciation in the value of Stock; and (c) provide a means of obtaining and rewarding employees, directors, independent contractors and advisors.

The 2008 Equity Incentive Plan provides for the issuance of incentive stock options (ISOs) and Non Statutory Options (NSOs) to employees, directors and independent contractors of the Company. The Board shall determine the exercise price per share in the case of an ISO at the time an option is granted and such price shall be not less than the fair market value or 110% of fair market value in the case of a ten percent or greater stockholder. In the case of an NSO, the exercise price shall not be less than the fair market value of one share of stock on the date the option is granted. Unless otherwise determined by the Board, ISOs and NSOs granted under the both plans have a maximum duration of 10 years.

Equity Compensation Plans Not Approved by Shareholders

In January 2009 the Company Board of Directors received and approved a written report and recommendations of the Compensation Committee which included a detailed executive equity compensation report and market analysis and the recommendations of Compensia, Inc., a management consulting firm that provides executive compensation advisory services to compensation committees and senior management of knowledge-based companies. The Compensation Committee used the report and analysis as a basis for its formal written recommendation to the board. Pursuant to a board resolution the 2009 Equity Incentive Plan (Executive), a Non-Qualified Stock Option Plan, was created and funded with 4,200,000 shares of \$0.001 par value common stock. The Compensation Committee was appointed as the Plan Administrator to manage the plan.

October 11, 2010, the Board of Directors authorized an additional 3,060,382 options under the 2009 Equity Incentive Plan (Executive). All granted options are presented at post-reverse quantities. On October 11, 2010, the following were granted: 3,300 to each director of the Company with an exercise price of \$9.00 per share and vesting one year after the October 11, 2010 date of grant. Two employees who also serve as directors received 52,277 bonus options as employees and 29,936 stock options were granted to corporate officers and employees. The employee bonus options have an exercise price of \$9.00 per share and vest over four years, 25% at year one and thereafter in equal monthly installments.

The 2009 Equity Incentive Plan (Executive) provides for the issuance of stock options to attract, retain and motivate executive and management employees and directors and to encourage these individuals to acquire an equity interest in the Company, to make monetary payments to certain management employees and directors based upon the value of the Company's stock and to provide these individuals with an incentive to maximize the success of the Company and further the interest of the shareholders. The 2009 Plan provides for the issuance of Incentive Non Statutory Options. The Administrator of the plan is authorized to determine the exercise price per share at the time the option is granted, but the exercise price shall not be less than the fair market value on the date the option is granted. Stock options granted under the 2009 Plan have a maximum duration of 10 years.

The Company has outstanding at December 31, 2012, the following options issued under equity compensation plans not approved by security holders:

During 2009, the Company issued under the 2009 Equity Incentive Plan (Executive) to officers and directors options to purchase restricted common stock at \$7.50 per share as follows: 85,009 fully vested shares; 28,800 shares that vest over four years, 25% at year one and thereafter in equal monthly installments; and 19,800 shares that fully vested one year after the date of grant.

During 2010 the Company issued under the 2009 Equity Incentive Plan (Executive) to officers and directors options to purchase restricted common stock at \$9.00 per share as follows: 19,800 options that vest one year after the October 11, 2010 grant date and 82,213 options that vest over four years, 25% at one year after the grant date, thereafter in equal monthly installments.

During 2012 the Company issued under the 2009 Equity Incentive Plan (Executive) to officers and directors options to purchase restricted common stock at \$4.56 per share as follows: 19,800 options that vest one year after the April 16, 2012 grant date, 64,875 options that vest over four years, 25% at one year after the grant date, thereafter in equal monthly installments and 330,000 options at \$6.00 per share to an officer that vest in equal monthly installments over the course of forty-eight consecutive months beginning September 2012.

The description of the Company's capital stock does not purport to be complete and is subject to and qualified by its Articles of Incorporation, Bylaws, amendments thereto and by the provisions of applicable Colorado law. The Company's transfer agent is Computershare Trust Company, Inc., 350 Indiana Street, Suite 800, Golden, Colorado

80401.

19

RECENT SALES OF UNREGISTERED SECURITIES

Following is a list of all securities we sold within the past three years which were not registered under the Securities Act. The Company relied on Section 4(2) of the Securities Act of 1933 as the basis for an exemption from registration for the following issuances.

2010 Sales of Unregistered Securities

Common Stock Issued During 2010

471,136 shares of common stock were issued to two investors who converted their promissory notes totaling \$1,250,000 and related accrued interest of \$242,560 to common equity at \$3.168 per share.

33,333 shares of common stock were issued as part of the settlement of the \$4,900,000 convertible promissory note and \$850,500 in accrued interest on this note related to the acquisition of CUI, Inc. The shares were valued at \$70,000 in accordance with the convertible promissory note stated conversion rate of \$2.10 per share. Two corporate officers, one of whom is also a director are principals in the corporate note holder and each received shares from this transaction.

631,314 shares of common stock were issued to four standby letter of credit guarantors who converted \$2,000,000 of their letters of credit to common equity at \$3.168 per share. Two directors, one former corporate officer and a shareholder with more than 5% beneficial ownership in the Company participated in this transaction.

33,333 shares of common stock were issued to three investors who exercised warrants at \$0.30 per share. The company received proceeds of \$10,000. One director, one former director and one former corporate officer participated in this transaction. These warrants were granted to the Standby Letter of Credit guarantors as a bonus inducement to participate in the Letter of Credit guarantee that was used to secure the term loan necessary for the acquisition of CUI, Inc.

1,786 shares of common stock were issued to an investor in consideration for a warrant exercise at \$6.00 per share. The company received proceeds of \$10,718.

22,222 shares of common stock were issued to a limited liability company investor that converted \$100,000 of its promissory note to common equity at \$4.50 per share in accordance with the convertible note terms. A former officer

of CUI Global is a principal in the limited liability company.

7,000 shares of common stock were issued for services performed by a consultant. \$42,000 of consulting expense was recorded in relation to this transaction based on the fair market value of the stock on the date of grant.

1,810 shares of common stock were issued in relation to the exercise of 2008 Equity Incentive Plan options at \$5.70 per share with proceeds of \$9,500. The company received no cash payment for 144 of these shares because the options were exercised through a cashless exercise election.

3,333 shares of common stock were issued to an employee as a bonus. These shares were valued at \$28,000 as of the date of issuance.

236,667 shares of common stock were sold at \$6.00 per share pursuant to stock purchase agreements with proceeds of \$1,420,000. 1,667 of these shares were issuable at December 31, 2010; the 1,667 issuable shares were issued in 2011. One director and a former corporate officer participated in this transaction.

33,333 shares of common stock were issued as settlement of \$200,000 of principal on a promissory note related to the acquisition of CUI, Inc. The conversion rate was \$6.00 per share. Two corporate officers, one of whom is also a director are principals in the corporate note holder and each received shares from this transaction.

Warrants and Options Issued During 2010

Fully vested options for the purchase of 9,167 shares of its 2008 Equity Incentive Plan common stock at \$5.70 per share to nine employees with an expiration of June 15, 2020. If all options are exercised the Company could receive \$52,250.

Under the 2009 Equity Incentive Plan (Executive) 19,800 options that vest October 11, 2011 were issued to directors to purchase restricted common stock at \$9.00 per share and 82,213 options were issued to officers and employees that vest over four years, 25% at year one and thereafter in equal monthly installments. The employees include two directors who are also employees and officers and one officer. The options expire October 11, 2020.

Series A and Series B Convertible Preferred Stock Issued During 2010

There were no shares of Series A or Series B Convertible Preferred Stock issued during 2010.

Series C Preferred Stock Issued During 2010

There were no shares of Series C Convertible Preferred Stock issued during 2010.

2011 Sales of Unregistered Securities

Common Stock Issued During 2011

On January 6, 2011, the 1,667 issuable shares listed on the balance sheet as of December 31, 2010 were issued.

On February 7 and 10, 2011, two former employees completed cashless exercises of their options for which 269 shares of common stock were issued. The Company did not receive funds from these options exercises as they were cashless.

On March 11, 2011, 5,957 shares of common stock were issued pursuant to a consultant agreement for strategic investor marketing services. The shares were priced at \$7.05 per share based on the ten day trailing average closing price at the time of the issuance in accordance with the agreement and a \$42,000 consulting expense was recorded in relation to this transaction.

On April 19, 2011, a member of the Board of Directors exercised 23,333 warrants which he previously received in exchange for a personal guarantee of a bank note provided on behalf of the Company in May 2008. The Company received \$7,000 from the exercise of these warrants.

On May 4, 2011, a beneficial owner of more than 5% of the outstanding common stock, exercised 10,000 warrants which he previously received in exchange for a personal guarantee of a bank note provided on behalf of the Company in May 2008. The Company received \$3,000 from the exercise of these warrants.

On May 15, 2011, a beneficial owner of more than 10% of the outstanding common stock, exercised 133,333 warrants which he previously received in exchange for a personal guarantee of a bank note provided on behalf of the Company in May 2008. The Company received \$40,000 from the exercise of these warrants.

On December 27, 2011, 5,000 shares of common stock were issued to a former consultant in consideration for the release of a claim on intellectual property with a related expense of \$19,500 recorded.

Warrants and Options Issued During 2011

There were no warrants or options issued during 2011.

Series A and Series B Convertible Preferred Stock Issued During 2011

There were no shares of Series A or Series B Convertible Preferred Stock issued during 2011.

Series C Preferred Stock Issued During 2011

There were no shares of Series C Convertible Preferred Stock issued during 2011.

2012 Sales of Unregistered Securities

Common Stock Issued During 2012

Effective February 17, 2012, the issued and outstanding shares of the Company's \$0.001 par value common stock were reverse split at a ratio of one for thirty (1:30). All fractional shares resulting from the reverse split were rounded up to the next full numbers. As a result of the rounding up effect, 97 additional shares of common stock were issued that are included in the S-1 registration statement. The company received no monetary consideration for these 97 shares.

March 16, 2012, 10,071 shares of common stock were issued in relation to a warrant exercise. The company received \$3,021 from this transaction.

March 20, 2012, 15,000 shares of common stock were issued in consideration for strategic investor marketing services rendered for the benefit of the company. A \$69,450 consulting expense was recorded in relation to this transaction based on the fair market value of the stock on the date of grant.

Between April 4-12, 2012, 57,000 shares of common stock were issued in relation to common stock bonuses granted to officers and employees. 50,750 of these common shares were issued to three officers with a fair value of \$243,600 in accordance with their employment agreement bonus provisions. Two employees were awarded a total of 6,250 common shares with a fair value total of \$30,000.

On April 12, 2012, a holder of 2,500 shares of convertible Series A preferred stock completed the conversion of those shares into common shares. At the same time, the holder also converted an accrued preferred stock dividend of \$250 into common shares. For these conversions, the holder received 458 common shares based upon the conversion features of the convertible Series A preferred stock and accrued preferred stock dividends.

On May 4, 2012, a holder of 45,000 shares of convertible Series A preferred stock completed the conversion of those shares into common shares. At the same time, the holder also converted an accrued preferred stock dividend of \$4,500 into common shares. For these conversions, the holder received 8,645 common shares based upon the conversion features of the convertible Series A preferred stock and accrued preferred stock dividends.

On May 30, 2012, a holder of 3,043 shares of convertible Series A preferred stock completed the conversion of those shares into common shares. At the same time, the holder also converted an accrued preferred stock dividend of \$304 into common shares. For these conversions, the holder received 558 common shares based upon the conversion features of the convertible Series A preferred stock and accrued preferred stock dividends.

On June 21, 2012, 1,000 shares of common stock were issued to a consultant in consideration for strategic investor marketing services rendered for the benefit of the company and a \$6,450 consulting expense was recorded in relation to these issuances based on the fair market value of the stock on the date of the grant.

On June 28 and 29, July 2, 3, 16 and 27, 2012, 234,332 shares of common stock were sold to investors at \$4.50 per share pursuant to stock purchase agreements with proceeds of \$1,054,500 before related costs from this transaction of \$79,045 which were recorded as reductions of additional paid in capital.

On September 7, 2012, 1,052 shares of common stock were issued as a royalty to James McKenzie, majority owner of CUI, Inc. prior to the May 2008 asset acquisition by CUI Global. The shares were valued at \$6,638.

On September 27, 2012, 4,596 shares of common stock were issued to an employee as a bonus. These shares were expensed at a fair value of \$25,000 as of the date of issuance.

On each of April 5, May 7, June 6, July 2, August 1, September 7, October 1 and November 1, 2012, the company issued 13,500 shares of common stock to a consultant in consideration for strategic investor marketing services rendered for the benefit of the company. A \$569,970 consulting expense was recorded in relation to these issuances based on the fair market value of the stock on the dates of the grants.

On October 16, 2012, 2,500 shares of common stock were issued to a consultant in consideration for strategic investor marketing services rendered for the benefit of the company and a \$12,825 consulting expense was recorded in relation to these issuances based on the fair market value of the stock on the date of the grant.

Warrants and Options Issued During 2012

During April 2012, 84,675 options to purchase restricted common stock were issued to officers and directors under the 2009 Equity Incentive Plan (Executive) with the following assumptions: exercise price of \$4.56 per share, volatility of 90%, risk free interest rate of 0.27% and a term of 2 years. The 19,800 director related options vest one year from the date of grant while the 64,875 officer options have a four year vesting period with 25% vesting one year from date of grant and monthly thereafter.

During May 2012, 11,167 fully vested options were granted to employees under the 2008 Equity Incentive Plan to purchase common stock with the following assumptions: exercise price of \$4.58 per share, volatility of 91%, risk-free interest rate of 0.27% and a term of 2 years.

During September 2012, 330,000 options to purchase common stock were issued to an officer under the 2009 Equity Incentive Plan (Executive) with the following assumptions: exercise price of \$6.00 per share, volatility of 84%, risk-free interest rate of 0.27% and a term of 2 years. The 330,000 options vest in equal monthly installments over the course of forty-eight consecutive months beginning September 2012.

Series A and Series B Convertible Preferred Stock Issued During 2012

There were no shares of Series A or Series B Convertible Preferred Stock issued during 2012.

Series C Preferred Stock Issued During 2012

There were no shares of Series C Convertible Preferred Stock issued during 2012.

Note: Effective September 17, 2012, the Board of Directors passed a resolution eliminating and discontinuing all Series A and B Convertible Preferred and Series C Preferred stock and requiring that all preferred stock shall be returned to the Company treasury. As of December 31, 2012, no shares of Series B and Series C Convertible Preferred Stock are issued nor outstanding.

Shares Eligible for Future Sale

As of December 31, 2012, we had outstanding 10,883,280 shares of Common Stock. Of these shares, 8,636,820 shares are freely tradable without restriction or limitation under the Securities Act.

The 2,246,460 shares of Common Stock held by existing shareholders as of December 31, 2012 that are "restricted" within the meaning of Rule 144 adopted under the Securities Act (the "Restricted Shares"), may not be sold unless they are registered under the Securities Act or sold pursuant to an exemption from registration, such as the exemption provided by Rule 144 promulgated under the Securities Act. The Restricted Shares were issued and sold by us in private transactions in reliance upon exemptions from registration under the Securities Act.

Effective September 17, 2012, the Board of Directors passed a resolution eliminating and discontinuing all Series A and B Convertible Preferred and Series C Preferred stock and requiring that all preferred stock shall be returned to the Company treasury. As of December 31, 2012, no shares of Series B and Series C Convertible Preferred Stock are issued nor outstanding.

Item 6. Selected Financial Data

Not applicable due to status as a small reporting company.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Important Note about Forward-Looking Statements

The following discussion and analysis should be read in conjunction with our audited financial statements as of December 31, 2012 and un-audited 10-Q filings for the first three quarters of 2012 and the notes thereto, all of which are included elsewhere in this Form 10-K. In addition to historical information, the following discussion and other parts of this Form 10-K contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to factors discussed elsewhere in this Form 10-K.

The statements that are not historical constitute "forward-looking statements". Said forward-looking statements involve risks and uncertainties that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements, express or implied by such forward-looking statements. These forward-looking statements are identified by their use of such terms and phrases as "expects", "intends", "goals", "estimates", "projects", "plans", "anticipates", "should", "future", "believes", and "scheduled".

The variables which may cause differences include, but are not limited to, the following: general economic and business conditions; competition; success of operating initiatives; operating costs; advertising and promotional efforts; the existence or absence of adverse publicity; changes in business strategy or development plans; the ability to retain management; availability, terms and deployment of capital; business abilities and judgment of personnel; availability of qualified personnel; labor and employment benefit costs; availability and costs of raw materials and supplies; and changes in, or failure to comply with various government regulations. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate; therefore, there can be no assurance that the forward-looking statements included in this Form 10-K will prove to be accurate.

In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any person that the objectives and expectations of the Company will be achieved.

Losses from Operations and Accumulated Deficit

Historically, the Company has not generated sufficient revenues from operations to self-fund its capital and operating requirements. Following the equity raises closed in 2012 and subsequent reductions of debt coupled with the continued improvement in the Company's operations, management believes the company has sufficient resources and that it is generating significant revenues that it expects will provide the Company with the ability to self-fund its capital and operating requirements. If that is not possible, the Company will seek additional working capital from

funding that will primarily include equity and debt placements.

Overview

CUI Global, Inc. is dedicated to maximizing shareholder value through the acquisition, development and commercialization of innovative companies and technologies. From its GasPT2 platform targeting the energy sector, to its subsidiary CUI, Inc.'s industry leading digital power platform targeting the networking and telecom industries, CUI Global has built a diversified portfolio of industry leading technologies that touch many markets.

In May 2008, CUI Global formed a wholly owned subsidiary that acquired the assets of CUI, Inc., a technology company dedicated to the development, commercialization and distribution of new, innovative electro-mechanical products. Over the past 20 years, CUI has become a recognized name in electronic components worldwide in the areas of power, interconnect, motion control, and sound. In that time, the company has been able to leverage many long-standing relationships in Asia to create a flexible, responsive business model that ultimately benefits CUI customers. Today, its industry leading technology platforms which include Novum Advanced Power, Solus Power Topology and AMT Capacitive Encoders are quickly positioning CUI, Inc. as a global leader in the fields of power electronics and motion control. Through the acquisition of CUI, Inc. the Company obtained 352,589 common shares representing an 11.54% interest in Test Products International, Inc., a provider of handheld test and measurement equipment.

In July 2009, CUI Global acquired, as a wholly owned subsidiary, Comex Instruments, Ltd., now known as CUI Japan and 49% of Comex Electronics Ltd. Both companies are Japanese based providers of electronic components. Effective July 1, 2011, CUI Global entered into an agreement to convey its 49% ownership interest in Comex Electronics to the owners of the remaining 51% who are the original founders and were the original owners of Comex Instruments, for \$617,975 in the form of a five year note receivable bearing interest at 4% per annum. As of December 31, 2012 the Comex Electronics note receivable is current in accordance with the agreed terms. The operations of CUI Japan are not affected by this divestment. As such, the operations of Comex Electronics are reported as discontinued operations for the current and comparable periods. CUI Global will continue to maintain its 100% ownership of CUI Japan.

For the years ended December 31, 2012 and 2011, the Company has identified a single operating segment based on the activities of the company in accordance with the ASC 280-10-50-1 for which the operating results are regularly reviewed by the Company's chief operating decision makers.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that have a significant impact on the results the Company will report in the Company's financial statements. Some of the Company's accounting policies require the Company to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Actual results may differ from these estimates under different assumptions or conditions.

Long-Lived Assets

Long-lived assets and certain identifiable assets related to those assets are periodically reviewed for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recoverable. In performing the review for recoverability, the future cash flows expected to result from the use of the asset and its eventual disposition are estimated. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized as the excess

of the carrying amount over the fair value. Otherwise, an impairment loss is not recognized. Management estimates the fair value and the estimated future cash flows expected. Any changes in these estimates could impact whether there was impairment and the amount of the impairment. There were \$278,428 and \$0 of impairment expenses recorded by the Company in 2012 and 2011.

Stock-Based Compensation

The Company accounts for stock based compensation using FASB Accounting Standards Codification No. 718 (“FASB ASC 718”), “Compensation – Stock Compensation”. FASB Codification No. 718 requires the fair value of all stock-based employee compensation awarded to employees to be recorded as an expense over the related vesting period. The statement also requires the recognition of compensation expense for the fair value of any unvested stock option awards outstanding at the date of adoption. Employee stock compensation is recorded at fair value using the Black Scholes Pricing Model. The underlying assumptions used in the Black Scholes Pricing Model by the Company are taken from publicly available sources including, volatility is calculated using historic stock price information from online finance websites such as Google Finance and Yahoo Finance, the stock price on the date of grant is obtained from online finance websites such as those previously noted, appropriate discount rates are obtained from the United States Federal Reserve economic research and data website and other inputs are determined based on previous experience and related estimates. See Note 13 STOCK-BASED EMPLOYEE COMPENSATION for additional disclosure and discussion of the employee stock plan and activity.

Common stock, stock options and common stock warrants issued to other than employees or directors are recorded on the basis of their fair value, as required by FASB ASC 505, which is measured as of the date required by FASB ASC 505, “Equity – Based Payments to Non-Employees”. In accordance with FASB ASC 505, the stock options or common stock warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying common stock on the “valuation date,” which for options and warrants related to contracts that have substantial disincentives to non-performance is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. Where expense must be recognized prior to a valuation date, the expense is computed under the Black-Scholes option pricing model on the basis of the market price of the underlying common stock at the end of the period, and any subsequent changes in the market price of the underlying common stock up through the valuation date is reflected in the expense recorded in the subsequent period in which that change occurs.

Revenue Recognition

The recognition of the Company’s revenues requires judgment, including whether a sale includes multiple elements and, if so, whether vendor-specific objective evidence (VSOE) of fair value exists for those elements. Customers may receive certain elements of our products over a period of time. These elements could include licensing rights to manufacture and sell our proprietary patent protected products. The ability to identify VSOE for those elements and the fair value of the respective elements could materially impact the amount of earned and unearned revenue. The Company does not have any history as to the costs expected to be incurred in granting licensing rights relating to its products. Therefore, revenues may be recorded that are not in proportion to the costs expected to be incurred in performing these services.

Liquidity and Capital Resources

General

The Company's cash and cash equivalents balance at December 31, 2012 are \$3,039,840. During the year ended December 31, 2012, operations and investment activities have been funded through cash from operations, proceeds from sales of equity and warrant exercises, and borrowings from financial institutions.

Cash from operations

Operating activities generated negative cash flow of \$1,803,659 during the year ended December 31, 2012 as compared with positive cash flow of \$860,705 during the prior year ended. This decrease is primarily the result of a larger net loss attributable to CUI Global, Inc. in 2012 of \$2,526,321 which included increased sales related travel for CUI, Inc. to manage third party sales representatives, reach new customers, maintain existing customers, and promote new product lines including Novum and Solus, professional fees expenses related to engineering support, testing fees and travel expenses related to the Vergence GasPT2 product as the Company increased the Vergence GasPT2 exposure to customers in North America, parts of Europe and elsewhere, increased expenses associated with being a public company such as filing services and fees, professional fees, and listing fees among others, increased advertising costs for company products, increased commissions to third party sales representatives related to the increase in sales, increased expenses associated with the growth in operations at CUI Japan, operating costs associated with the newer technologies Novum and Solus and the overall growth of the business in relation to revenues. Additional factors that impacted the cash from operations include increases in trade accounts receivable, inventory, accounts payable and unearned revenue of \$1,337,048, \$1,290,794, \$382,852, and \$300,786, respectively, and decreases in prepaid expenses and other current assets of \$280,917. The increase in trade accounts receivable is largely attributed to the increased revenues in the fourth quarter of 2012, \$11,890,762, as compared to \$9,744,499 during the same period in 2011. The increase in inventory is primarily related to the inventory on hand associated with the increased back log of customer orders at December 31, 2012 of \$14,149,352 as compared with \$9,244,748 at December 31, 2011 and increased inventory of GasPT2 units on hand at year end to prevent potential shortages in 2013 associated with manufacturing and calibration lead times. The increase in accounts payable is associated with the increase in inventory levels and fourth quarter activity during 2012 as well as timing in relation to payment terms with vendors. The increase in unearned revenue is related to an increase in the accrual for potential returns from customers and deposits received from customers for orders that have not been fulfilled as of December 31, 2012. The decrease in prepaid expenses and other current assets is primarily related to decreases in prepayments for inventory purchases as compared to the prior year, which will vary based on the products purchased and the vendors utilized.

During 2012 and 2011, the Company used stock and warrants as a form of payment to certain vendors, consultants and employees. For 2012 and 2011, respectively, the Company recorded a total of \$1,190,081 and \$227,867 for compensation and services expense including amortization of deferred compensation related to equity given, or to be given, to employees and consultants for services provided. The large increase in 2012 is attributable to increased stock compensation issued for stock issued to consultants for strategic investor marketing services, employee stock compensation and options expenses.

During 2012, CUI Global recorded two significant non-cash entries - \$73,333 of non-cash interest expense, including amortization of debt offering costs and \$278,428 for the impairment of intangible, trademark and trade name V-Infinity. The intangible, trademark and trade name V-Infinity was determined to have a finite life and an impaired value during 2012. As a result of this evaluation and the impairment, management determined the trademark and trade name V-Infinity no longer has an indefinite life, and will instead be amortized over the estimated remaining useful life of 5 years. During 2011, the Company recorded one significant non-cash entry - \$334,747 of non-cash interest expense, including amortization of debt offering costs. The decrease in the non-cash interest expense, including amortization of debt offering costs is the result of the completion in mid year 2011 of the amortization of the beneficial interest associated with debts from the CUI, Inc. acquisition offset by an increase in the amortization of debt issuance costs associated with the Wells Fargo debts.

During 2012 the Company had no cash flows from discontinued operating activities where as in 2011, the Company had positive cash flow from discontinued operations of \$22,141.

As the Company continues to focus on technology development and product line additions during 2013, it will continue to fund research and development together with related sales and marketing efforts for its technology platforms including the Vergence GasPT2, Novum Advanced Power, Solus Power Topology, AMT Capacitive Encoders and its other electromechanical products.

Capital Expenditures and Investments

During the years ended 2012 and 2011, the Company invested \$685,269 and \$422,970, respectively, in fixed assets. Among the larger investments in fixed assets were additions to equipment and software for engineering and research and development, tooling for manufacturing, and regular computer equipment and software upgrades for office personnel. The Company anticipates further investment in fixed assets during 2013 in support of its on-going business and continued development of product lines and technologies.

The Company invested \$0 and \$6,646, respectively, in patent costs during 2012 and 2011. The Company expects its investment in patent costs will continue throughout 2013 as it invests in patents to protect the rights to use its product and technology developments.

The Company invested \$80,343 and \$37,418, respectively in other intangible assets during 2012 and 2011. The 2012 investments were related to the new CUI, Inc. website. The 2011 investments were related to the new CUI Global and CUI Japan websites. The Company's websites are utilized to communicate with our investors, customers, vendors and other stakeholders. The Company expects its investment in other intangible assets may continue throughout 2013.

During 2012 and 2011, CUI Global had proceeds from notes receivable of \$46,808 and \$63,506, respectively.

Also during 2012 and 2011, the Company received proceeds of \$0 and \$425,000, respectively, from the sale of technology rights. The 2011 proceeds of \$425,000 were in relation to the sale of our WayCool and WayFast patent portfolio to Olantra Fund X LLC.

There were no cash flows in 2012 associated with discontinued investing activities. For the year ended December 31, 2011, there was \$195,278 provided by discontinued investing activities.

Financing activities

See, above, the section entitled Recent Sales of Unregistered Securities for a complete listing of all securities transactions.

During 2012, the Company received proceeds of \$13,532,285 from the sales of common stock, net of offering costs and the exercise of warrants, \$1,069,452 of payments were made against the demand notes payable, \$4,000,000 of payments were made against the term note with the Business Credit division of Wells Fargo Capital Finance, Wells Fargo Bank, N.A., \$3,000,000 was paid against the principal balance of the IED related party note payable associated with the acquisition of CUI Inc., and \$35,000 was utilized to repay a related party convertible note payable owed to an officer of the Company.

Included in these equity financing transactions were the following items, discussed in greater detail at Note 8 STOCKHOLDERS' EQUITY:

During February 2012, the issued and outstanding shares of the Company's \$0.001 par value common stock were reverse split at a ratio of one for thirty (1:30) as a part of our plan to up-list our common stock on to the NASDAQ Stock Market.

During February 2012 our Form S-1 registration statement became effective that allowed us to sell 2,222,222 shares of common stock to our underwriter. We received \$8,913,302 in net proceeds from this sale after related costs for this transaction.

Our Form S-1 registration statement included 333,333 shares of common stock that were sold in March 2012 to our underwriter pursuant to the over-allotment provision of our underwriting contract. We received \$1,387,499 in net proceeds from this sale after related costs for this transaction.

Also in March 2012, pursuant to stock purchase agreement, we sold to seven investors a total of 570,000 shares of common stock at \$4.50 per share. We received \$2,253,008 in net proceeds from this sale after related costs for this transaction.

During March 2012, a beneficial owner of approximately 8% exercised 10,071 warrants he previously received in relation to a note provided to the Company which has since been paid in full. The company received \$3,021 from this transaction.

During June and July 2012, we sold 234,332 shares of common stock to nine investors at \$4.50 per share pursuant to stock purchase agreements with net proceeds of \$975,455 after related costs for this transaction.

During 2011, \$50,000 of proceeds were received from the exercise of warrants and options.

In February 2011, two former employees exercised options for 269 shares of common stock.

In April 2011, a director exercised a warrant for 23,333 shares of common stock.

In May 2011, an owner of 10% of the voting rights attached to outstanding shares exercised a warrant for 133,333 shares of common stock. Also in May 2011, an investor exercised a warrant for 10,000 shares of common stock.

CUI Global may raise additional capital needed to fund the further development and marketing of its products as well as payment of its debt obligations.

Financing activities – related party activity

During 2012, a short term convertible loan from July 2011 of \$35,000, with interest accrued at 6% per annum, convertible at \$5.10 per common share was repaid to a CUI Global officer. There was no beneficial conversion on the convertible note as the conversion price was equal to the fair value on the date of grant.

Pursuant to a September 1, 2010 agreement with the holder of the \$14,000,000 promissory note, IED, Inc., the Company paid \$492,508 of the principal balance during the first quarter of 2011. The revised terms set the interest rate at 6% per annum with monthly interest payments and a May 15, 2018 balloon payment. Please see Note 9. Related Party Transactions and Note 5. Notes Payable, for further discussion of this transaction. During 2012 and 2011, \$3,468,221 and \$1,110,809, respectively, in principal and interest payments were made in relation to the promissory notes issued to related party, IED, Inc. The 2012 payment utilized \$3,000,000 from the equity sale proceeds for the repayment of principal. The 2011 payment included a note receivable balance of \$192,508 held by

CUI Global that was conveyed to IED, Inc. and applied towards the promissory note balance in accordance with a settlement agreement.

Recap of liquidity and capital resources

During 2012, the Company continued to improve its financial strength with the equity raise in early 2012, the significant reductions in debt coupled with the continued growth of revenues. As a result of the financing activities completed in 2012, management believes the Company has sufficient resources and is generating sufficient revenues to fund operations. As of December 31, 2012 the Company had an accumulated deficit of \$76,171,822. As of December 31, 2012, the Company had cash and cash equivalents of \$3,039,840 and an unused availability under the asset based line of credit of \$3,119,857 (available borrowing capacity of \$3,579,305 less outstanding borrowings of \$459,448).

The Company may seek to raise additional capital for the continued development and commercialization of its various technology product lines. The Company believes its operations and existing financing structure will provide sufficient cash to meet its short term working capital requirements for the next twelve months. As the Company continues to expand and develop its technology and product lines as well as retire debt, additional funding sources may be required. The Company may attempt to raise these funds through borrowing instruments or issuing additional equity.

As of December 31, 2012 CUI, Inc. maintained a revolving working capital line of credit with the Business Credit division of Wells Fargo Capital Finance, part of Wells Fargo Bank, National Association (NYSE: WFC), granting borrowings of up to \$4,000,000 with interest payable monthly at the Daily Three Month LIBOR plus 3.25% (3.56% at December 31, 2012). At December 31, 2012, there is an outstanding balance of \$459,448 on this line of credit.

The Company expects revenues to help cover the operating and other expenses. If revenues and cash on hand are not sufficient to cover all operating and other expenses, additional funding may be required. There is no assurance the Company will be able to raise such additional capital. The failure to raise additional capital or generate product sales in the expected time frame will have a material adverse effect on the Company.

Off-Balance Sheet Arrangements

As of December 31, 2012 the Company had no off-balance sheet arrangements.

Results of Operations

The accompanying financial statements reflect the operations of the Company for the fiscal years ended December 31, 2012 and 2011.

Revenue

During the year ended 2012, revenue was \$41,084,589 and \$38,938,326 for the same period during 2011. The growth in 2012 from 2011 is primarily due to management's decision to continue to push smaller sales through the distribution sales channel and focus on larger value direct sales through CUI, Inc. as well as the continued expansion of CUI's product offering and further penetration in the Japanese market through CUI Japan. This change resulted in a 4.7% decrease in the total number of customer sales orders processed, while total revenue increased \$2,146,263, or 5.5% for the year.

The Company introduced 207 new products during the year ended 2012. The continued product expansion and moving smaller sales through the distribution channel is expected to continue to result in revenue growth in future periods as CUI's sales group and support staff continues to reach new customers, further expand relationships with existing customers and while the Company introduces new products in efforts to have CUI products designed into new projects.

The revenue for the year ended December 31, 2012 is comprised of \$39,802,620 from CUI products, \$1,228,430 from CUI Japan products and \$53,539 from freight. The revenue for the year ended December 31, 2011 is comprised of

\$38,366,403 from CUI products, \$511,295 from CUI Japan products and \$60,628 for freight.

During 2012, 59% of revenues were derived from five customers at 47%, 4%, 3%, 3%, and 2%. During 2011, 55% of revenues were derived from six customers at 41%, 4%, 3%, 3%, 2% and 2%. The Company's major product lines in 2012 and 2011 were external power, internal power and industrial controls.

Cost of revenue

The cost of revenue for the year ended December 31, 2012 and 2011 was \$25,707,893 and \$24,133,073, respectively. The significant increase during 2012 compared to the prior year is primarily the result of the overall growth in sales. As a percentage of sales, the cost of revenue remained relatively consistent at 62.5% for 2012 compared with 62.0% in 2011.

Selling, General and Administrative Expenses

Selling, General and Administrative (SG&A) expenses includes such items as wages, consulting, general office expenses, business promotion expenses and costs of being a public company including legal and accounting fees, insurance and investor relations.

SG&A expenses increased to \$16,221,373 for the year ended December 31, 2012 from \$13,347,853 for the same period during 2011. This increase of \$2,873,520 is primarily the result of an increase of \$616,695 of stock compensation expense for issuances to consultants related to strategic investor marketing services, an increase of \$400,290 for investor relations related expenses including travel, supplies, conferences, meetings and cash expenses for strategic investor marketing services, \$371,574 increase in sales related travel for CUI, Inc. related sales activity to manage third party sales representatives, reach new customers, maintain existing customers, and promote new product lines including Novum and Solus, \$298,600 of stock compensation expenses for issuances to officers and employees as bonuses for achieving corporate goals, \$242,352 in expenses associated with professional fees related to engineering support, testing fees and travel expenses related to the Vergence GasPT2 product as the Company increased the Vergence GasPT2 exposure to customers in North America, parts of Europe and elsewhere, \$177,039 increase in depreciation and amortization associated with investments in capital assets as well as the amortization of the intangible, trademark and trade name V-Infinity which began in 2012, an increase of \$130,206 in costs associated with being a public company such as filing services and fees, professional fees, and listing fees among others, increase in costs associated with an increase in advertising costs for company products of \$34,666, increased commissions to third party sales representatives related to the increase in sales, growth in operations at CUI Japan associated with the increase revenues, operating costs associated with the newer technologies Novum and Solus and the overall growth of the business in relation to revenues. The total dollar amount of SG&A as a percentage of total revenue increased to 39.5% for 2012 as compared to 34.3% in 2011.

The Company anticipates the amount of its sales and marketing expenditures and general and administrative expenses will further increase in 2013 as the Company continues to grow its revenues, launches its second distributor for the CUI, Inc. product lines during 2013, continues to work to penetrate the market with its newer product lines including Vergence, Novum and Solus as well as seeks to continue to further its technology offerings. However, management expects the SG&A as a percentage of total revenue to decrease in 2013 as the Company continues to increase total revenue, particularly as the Vergence GasPT2 product line gains traction in the market place in conjunction with reductions in stock compensation expenses for issuances to consultants in 2013.

Research and Development

The research and development costs are related to the various technologies for which CUI Global has acquired licensing rights or is developing internally. The expenditures for research and development have been directed primarily towards the further development of Novum Advanced Power technologies including digital POLs and the Solus Topology, AMT Capacitive Encoders and towards the development of the Vergence GasPT2. Research and development costs were \$791,332 and \$716,321 for the year ended December 31, 2012 and 2011, respectively. The Company expects that 2013 research and development expenses will be consistent with 2012 as the Company continues to expand its product offering and technologies due to market acceptance and customer integration.

Impairment Loss

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable. In performing the review for recoverability, the future cash flows expected to result from the use of the asset and its eventual disposition are estimated. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized as the excess of the carrying amount over the fair value. Otherwise, an impairment loss is not recognized. Management estimates the fair value and the estimated future cash flows expected. Any changes in these estimates could impact whether there was impairment and the amount of the impairment. There were \$278,428 and \$0 of impairment expenses recorded by the Company in 2012 and 2011.

Bad Debt

Bad debt expense decreased to \$65,763 for the year ended December 31, 2012 from \$82,192 for the same period ended 2011. The bad debt expense for both 2012 and 2011 represents less than 1/2% of total revenues. The bad debt expense for both periods relates to miscellaneous receivables which the Company has either recorded an allowance for doubtful collections of the receivable or for which the Company has determined the balance to be uncollectible.

Other Income

During the years ended 2012 and 2011, the Company had other income of \$95,069 and \$53,657, respectively. Other income for the year ended December 31, 2012, consisted of \$49,475 of foreign exchange gain, \$30,620 of interest income, \$12,000 of rental income, \$2,636 of other income and of \$338 in bad debt recoveries. Other income for the year ended December 31, 2011, consisted of \$18,688 in bad debt recoveries, \$17,592 for interest income, \$15,103 of foreign exchange gain and \$2,274 in other income.

Investment Income

The Company recognized investment income on equity investment in an affiliate of \$59,623 for the year ended December 31, 2012 as compared with \$41,472 for the same period ended 2011.

Financing Fees

During 2012, the Company incurred financing fees associated with the equity raises of \$1,590,259. These fees were offset against Additional Paid in Capital in relation to the equity proceeds. During 2011, the Company did not incur financing fees.

Non-cash interest expense, amortization of beneficial conversion value, amortization of debt offering costs, warrant related debt discounts and amortization of warrant related debt discount

The Company recorded an expense of \$73,333 and \$334,747 during 2012 and 2011, respectively, for non-cash interest expenses, including amortization of debt offering costs. The decrease in this expense is primarily associated with the completion in 2011 of the amortization of the discounts on debt related to the CUI Inc. acquisition in 2008.

Interest Expense

The Company incurred \$575,199 and \$918,189 of interest expense during 2012 and 2011, respectively. Interest expense is for interest on the secured and unsecured convertible notes, secured and unsecured promissory notes, and bank working capital loans and term loans. The Company was able to reduce debts during 2012 through utilizing the proceeds from the sales of equity to repay the \$4,000,000 term note with Wells Fargo, \$3,000,000 towards the IED, Inc. note payable, \$35,000 on the related party convertible note payable, and reduce the demand notes payable on the Wells Fargo Line of Credit by \$1,069,452 which all contributed to the decrease in interest expenses for the year.

Inome (loss) from discontinued operations

For the year ended December 31, 2012, there was no activity related to discontinued operations.

During 2011, CUI Global recognized a loss from the discontinued operations of Comex Electronics of \$160,153, a gain on the divestment of Comex Electronics of \$603,034 in discontinued operations, and a net income from discontinued operations of \$442,881.

Consolidated Net Loss

The Company had a net loss of \$2,526,321 for the year ended December 31, 2012 as compared to a net profit of \$19,109 for the year ended December 31, 2011. The decrease is primarily the result of the following items discussed in the above sections: an increase in total revenues of \$2,146,263, an increase in cost of revenues of \$1,544,820, an increase in selling, general and administrative expenses of \$2,873,520, no gain on the sale of technology rights in 2012 as compared to a gain of \$143,636 in 2011, a decrease in amortization of debt offering costs, a decrease in interest expense of \$261,414, decreased interest expense of \$342,990 and the full year in 2012 without the losses incurred in relation to the operations of Comex Electronics divested in 2011 or the associated gain on the divestment of \$603,034.

Recent Accounting Pronouncements

In June, 2011, the FASB issued ASU No. 2011-05, which amends ASC Topic 220, Comprehensive Income. Under the amendment, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this ASU have been applied retrospectively.

In December 2011, FASB issued Accounting Standards Update 2011-11, Balance Sheet - Disclosures about Offsetting Assets and Liabilities” to enhance disclosure requirements relating to the offsetting of assets and liabilities on an entity's balance sheet. The update requires enhanced disclosures regarding assets and liabilities that are presented net or gross in the statement of financial position when the right of offset exists, or that are subject to an enforceable master netting arrangement. The new disclosure requirements relating to this update are retrospective and effective for annual and interim periods beginning on or after January 1, 2013. The update only requires additional disclosures, as such, the adoption of this standard did not have a material impact on our results of operations, cash flows or financial condition.

In July 2012, the FASB issued updated guidance on the periodic testing of indefinite-lived intangible assets, other than goodwill, for impairment. This updated guidance will allow companies the option to first assess qualitative factors to determine if it is more-likely-than-not that an indefinite-lived intangible asset might be impaired and whether it is necessary to perform the quantitative impairment test required under current accounting standards. This guidance is applicable for reporting periods beginning after September 15, 2012. This updated guidance did not have a material impact on our results of operations, cash flows or financial condition.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

Not applicable due to status as a small reporting company.

Item 8. Financial Statements and Supplementary Data

The Financial Statements and the report of Liggett, Vogt & Webb, P.A. dated February 19, 2013 are attached hereto and incorporated herein by reference.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has had no disagreements with Liggett, Vogt & Webb, P. A. as the Company's Independent Registered Public Accounting Firm on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Item 9A. Controls and Procedures

Not applicable.

Item 9A(T) Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) (the Company’s principal financial and accounting officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company’s CEO and CFO concluded that the Company’s disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting.

Immediately following the acquisition of CUI, Inc. in 2008, Daniel N. Ford assumed the Chief Financial Officer position for both CUI Global, Inc. and its subsidiaries. We have not identified any significant deficiency or material weaknesses in our internal controls at CUI Global, Inc., CUI, Inc., or CUI Japan.

Management's Report on Internal Controls over Financial Reporting

Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Effective May 15, 2008, the Company appointed Daniel N. Ford as Chief Financial Officer of CUI Global and its wholly owned subsidiary, CUI, Inc. There has been no change in the Company's internal control over financial reporting during the year ended December 31, 2012, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the Company's CEO and CFO, does not expect that the Company's disclosure controls and procedures or the Company's internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in our Audit Committee Charter and Audit Committee Policy and Procedures.

We have not identified any significant deficiency or material weaknesses in our internal controls at CUI Global, Inc., CUI, Inc. or CUI Japan.

A copy of our Audit Committee Charter can be viewed on our website: www.cuiglobal.com.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Item 9B. Other Information

There are no matters to be reported under this Item.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Our Bylaws permit the number of directors to be fixed by resolution of the Board of Directors, but to be no less than one. The Board of Directors has set the maximum number of members to no more than eight members. Directors are elected by a plurality of the votes cast by the stockholders and serve two year terms or until their successors have been elected and qualified or until their earlier resignation or removal. Currently, there are six (6) directors, four of whom are “independent” in accordance with applicable rules promulgated by the Securities and Exchange Commission and within the meaning of Rule 5605(a)(2) of the NASDAQ Stock Market. The standards relied upon by the Board of Directors in determining whether a director is “independent” are posted on our website at www.cuiglobal.com.

Subject to terms of their employment agreements, if any, officers of the Company hold office until their successors are elected and qualified, subject to earlier removal by the Board of Directors.

The Board of Directors has three standing committees: Audit Committee, Compensation Committee and Nomination Committee each of which has a written charter and/or statement of policy approved by our board. Our board currently appoints the members of each committee. Copies of the current committee charters and/or statement of policy for each committee are posted on our website at www.cuiglobal.com. No incumbent director attended fewer than 100% of the total number of meetings held by the committees on which such director served.

The following are officers and directors of the Company as of December 31, 2012.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Colton R. Melby*	55	Director, Chairman
William J. Clough	61	President/Chief Executive Officer, Director and General Counsel
Thomas A. Price*	69	Director
Matthew M. McKenzie	32	Director, Chief Operating Officer
Sean P. Rooney*	41	Director
Corey A. Lambrecht*	43	Director
Daniel N. Ford	33	Chief Financial Officer

Audit Committee:

Sean P. Rooney*, Chairman

Thomas A. Price*, Deputy Chairman

Colton R. Melby*, Committee Member

Compensation Committee

Cory A. Lambrecht*, Chairman

Colton R. Melby*, Committee Member

Nominating Committee

The Nominating Committee consists of the independent directors of the Board of Directors.

* "independent director" within the meaning of Rule 5605(a)(2) of the Nasdaq Capital Market.

Because CUI Global is a small entity, the Company is dependent on the efforts of a limited number of management personnel. The Company believes that because of the large amount of responsibility being placed on each member of its management team, the loss of services of any member of this team at the present time would harm its business. Each member of its management team supervises the operation and growth of one or more integral parts of its business.

Business Experience of Directors and Executive Officers

Colton R. Melby, Chairman of the Board of Directors

Effective June 11, 2008, Colton Melby was appointed to the Board of Directors and was elected by the Board of Directors to serve as Chairman of the Board of Directors. Mr. Melby continues to serve as Chairman of the Board of Directors and at the 2012 Annual Meeting of Shareholders; Mr. Melby was reelected to a two year term on the Board of Directors.

Mr. Melby has a 20 year background in aerospace manufacturing. He spent 15 years as owner and chief executive officer of Metal Form, Inc., serving customers, including: Boeing, Bombardier; Rockwell; Grumman; Lockheed Martin; and others. One of Mr. Melby's more notable investments was the financing and purchase of firearms-maker Smith & Wesson from London-based Tomkins PLC in 2001. Mr. Melby has investments in Earth 911, a recycling company dedicated to green initiatives and green recycling.

William J. Clough, Esq., President/Chief Executive Officer, Director, General Counsel of CUI Global, Inc. and Chief Executive Officer of CUI, Inc.

Mr. Clough was elected at the 2006 Annual Meeting of Shareholders to serve a two year term on the Board of Directors. Mr. Clough continues to serve on the Board of Directors and was reelected at the 2012 Annual Meeting of Shareholders to serve a third two year term.

Mr. Clough was appointed President and Chief Executive Officer of CUI Global, Inc. September 13, 2007 at which time Mr. Clough stepped down as Executive Vice President of Corporate Development. Effective May 16, 2008, CUI Global, Inc. formed a wholly owned subsidiary, Waytronx Holdings, Inc., to acquire the assets of CUI, Inc. along with this acquisition; Mr. Clough was appointed Chief Executive Officer of Waytronx Holdings, Inc. (now renamed to CUI, Inc.). Mr. Clough was a police officer for 16 years, working at the local, state and federal levels as a Federal Air Marshall in Southern Europe and the Middle East, in 1985-6. Mr. Clough received his Juris Doctorate, cum laude, from the University of California, Hastings College of the Law in 1990. He is certified to practice law in state and federal courts in California, Illinois, Hawaii and before the United States Supreme Court.

During late FY 2011 into early FY 2012, along with Company CFO, Dan Ford, Mr. Clough led the efforts to complete a successful equity raise; coupled with a re-structuring of the Company's Capital Structure and the up-listing of the Company to the Nasdaq Capital Market in February 2012.

Thomas A. Price, Director

Mr. Price was elected at the 2008 Annual Meeting of Shareholders to serve a one year term on the Board of Directors and was reelected at the 2011 Annual Meeting of Shareholders to serve a two year term.

Mr. Price has more than 30 years of business and operational management experience. He is the founder of Tom Price Dealership Group, a leading auto dealership with 11 franchises at six locations across California. Mr. Price developed the multi-brand San Francisco Auto Repair Center and a conference facility in Larkspur, California. Currently, Mr. Price is the owner of nine car dealerships in Northern California. He was Chairman of the Lexus National Dealer Advisory Board and charter member of the J.D. Power Dealer Roundtable. The Price Family Dealerships are major sponsors of Special Olympics of Marin, Dedication to Special Education, CASA/Advocates for Children, Marin Breast Cancer Council and the Golden Gate Shootout.

Matthew M. McKenzie, President and Chief Operational Officer of CUI, Inc., Chief Operational Officer, Corporate Secretary of CUI Global, Inc. and Director.

Matt McKenzie was elected to the Board of Directors at the 2008 Annual Meeting of Shareholders to serve a two year term and was reelected at the 2012 Annual Meeting of Shareholders to a two year term on the Board of Directors.

Mr. McKenzie earned an MBA from George Fox University. Matt McKenzie has been working in various functions for CUI for over 10 years, gaining him intimate knowledge of the business, its operations and its opportunities for growth. Over the past several years, Mr. McKenzie has worked to position CUI for growth through sales and operation expansion as well as channel development and technology development. Mr. McKenzie initiated ISO 9001 certification, a quality management system, provided structure to global logistics, including CUI's Chinese partners, and implemented CUI's ERP system, which allows for more visibility and analysis opportunities for CUI. He spearheads the research, development and implementation of the Novum and Solus technologies.

Sean P. Rooney, Director

Mr. Rooney was elected at the 2008 Annual Meeting of Shareholders to serve a one year term on the Board of Directors and was reelected at the 2011 Annual Meeting of Shareholders to serve a two year term.

Mr. Rooney graduated from C. W. Post University in 1993 with a Bachelors of Arts degree in Business Administration. In addition to his Series 7 (General Securities Representative), Series 63 (Uniform Securities Law) and Series 24 (General Securities Principal) licenses. Mr. Rooney brings to the CUI Global Board nearly 15 years of financial management experience. Mr. Rooney currently serves as Senior Vice President of Investments for Maxim Group LLC, a leading full service investment banking, securities and wealth management firm. Prior to joining Maxim Group, he served in a similar capacity at Investec Ernst & Company, headquartered in South Africa and the U.K.

Corey A. Lambrecht, Director

Mr. Lambrecht was elected at the 2008 Annual Meeting of Shareholders to serve a one year term on the Board of Directors and was reelected at the 2011 Annual Meeting of Shareholders to serve a two year term.

Mr. Lambrecht is a 14+ year public company executive with experience in strategic acquisitions, new business development, pioneering consumer products, corporate licensing and interactive technology services. Mr. Lambrecht currently serves as the President of Earth911, Inc. and is a current director of Lifestyle Wireless. He previously served as Director of Sales for Leveraged Marketing Associates, a worldwide leader in licensed brand extension strategies. While Executive Vice President for Smith & Wesson Holding Corporation he was responsible for Smith & Wesson Licensing, Advanced Technologies and Interactive Marketing divisions. He was the former

President of A For Effort (sold to Freesoftwareclub.com), an interactive database marketing company specializing in online content (advergaming) for clients such as the National Hockey League. Mr. Lambrecht's prior experience also includes Pre-IPO founder for Premium Cigars International and VP Sales/Marketing for ProductExpress.com.

Daniel N. Ford, Chief Financial Officer of CUI Global and CUI, Inc.

Mr. Ford has a background in the big accounting firms, including KPMG. As CFO of CUI for in excess of five years, Mr. Ford moved CUI into a position of profitability, efficiency and forward thinking, transforming many of CUI's accounting, inventory management and vendor relations processes. During 2012, along with Mr. Clough, Mr. Ford facilitated the equity raise and uplisting to the NASDAQ Capital Market. Over the past five years, Mr. Ford has implemented advanced internal fixed asset tracking, implemented a "real time" inventory system and participated in implementing CUI's ERP system. His skills as a financier have allowed CUI to move to its current, 61,380 square foot building, to transition its banking relationships to Wells Fargo National Association, as well as provided leadership in CUI Global's acquisition of CUI and CUI Japan. Mr. Ford holds an MBA from George Fox University.

Shareholder Communications

Company shareholders who wish to communicate with the Board of Directors or an individual director may write to CUI Global, Inc., 20050 SW 112th Avenue, Tualatin, Oregon 97062, phone (503) 612-2300 or to the attention of an individual director. Your letter should indicate that you are a shareholder and whether you own your shares in street name. Letters received will be retained until the next Board meeting when they will be available to the addressed director. Such communications may receive an initial evaluation to determine, based on the substance and nature of the communication, a suitable process for internal distribution, review and response or other appropriate treatment. There is no assurance that all communications will receive a response.

Certain Provisions of the Articles of Incorporation and Colorado Business Corporation Act Relating to Indemnification of Directors and Officers

The Colorado General Corporation Act, as revised, provides that If so provided in the articles of incorporation, the corporation shall eliminate or limit the personal liability of a director to the corporation or to its shareholders for monetary damages for breach of fiduciary duty as a director; except that any such provision shall not eliminate or limit the liability of a director to the corporation or to its shareholders for monetary damages for any breach of the director's duty of loyalty to the corporation or to its shareholders, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, unlawful distributions, or any transaction from which the director directly or indirectly derived an improper personal benefit.

Our Articles of Incorporation and By-Laws provide that a person who is performing his or her duties shall not have any liability by reason of being or having been a director of the corporation and that the Company shall indemnify and advance expenses to a director or officer in connection with a proceeding to the fullest extent permitted or required by and in accordance with the indemnification sections of Colorado statutes.

Insofar as indemnification for liabilities may be invoked to disclaim liability for damages arising under the Securities Act of 1933, as amended, or the Securities Act of 1934 (collectively, the "Acts"), as amended, it is the position of the Securities and Exchange Commission that such indemnification is against public policy as expressed in the Acts and are therefore, unenforceable.

Reports to Shareholders

We intend to voluntarily send annual reports to our shareholders, which will include audited financial statements. We are a reporting company and file reports with the Securities and Exchange Commission (SEC), including this Form 10-K as well as quarterly reports under Form 10-Q. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The company files its reports electronically and the SEC maintains an Internet site that contains reports, proxy and information statements and other information filed by the company with the SEC electronically. The address of that site is <http://www.sec.gov>.

The company also maintains an Internet site, which contains information about the company, news releases, governance documents and summary financial data. The address of that site is <http://www.cuiglobal.com>.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors and persons owning more than 10% of our common stock to file reports of ownership and reports of changes of ownership with the Securities and Exchange Commission. These reporting persons are required to furnish us with copies of all Section 16(a) forms that they file. Based solely upon a review of copies of these filings received, we believe that all filing requirements were complied with during the fiscal year ended December 31, 2011 with the exceptions noted below:

1. A late Form 4 report was filed by Colton R. Melby on behalf of an entity over which he controls the investment decisions to report an open market disposition of 23,000 common shares.
2. A late Form 4 report was filed by William J. Clough to report the acquisition of an option to purchase 330,000 shares of common stock.

We have made all officers and directors aware of their reporting obligations and have appointed an employee to oversee Section 16 compliance for future filings.

Our Corporate Governance Practices

We have always believed in strong and effective corporate governance procedures and practices. In that spirit, we have summarized several of our corporate governance practices below.

Adopting Governance Guidelines

Our Board of Directors has adopted a set of corporate governance guidelines to establish a framework within which it will conduct its business and to guide management in its running of our Company. The governance guidelines can be found on our website at www.cuiglobal.com and are summarized below.

Monitoring Board Effectiveness

It is important that our Board of Directors and its committees are performing effectively and in the best interest of the Company and its stockholders. The Board of Directors and each committee are responsible for annually assessing their effectiveness in fulfilling their obligations.

Conducting Formal Independent Director Sessions

At the conclusion of each regularly scheduled Board meeting, the independent directors meet without our management or any non-independent directors.

Hiring Outside Advisors

The Board and each of its committees may retain outside advisors and consultants of their choosing at our expense, without management's consent.

Providing Transparency

We believe that it is important that stockholders understand our governance practices. In order to help ensure transparency of our practices, we have posted information regarding our corporate governance procedures on our website at www.cuiglobal.com.

Communications with the Board of Directors

Stockholders may communicate with the Board of Directors by writing to the Company at CUI Global, Inc., 20050 SW 112th Avenue, Tualatin, Oregon 97062, phone (503) 612-2300. Stockholders who would like their submission directed to a member of the board may so specify, and the communication will be forwarded, as appropriate.

Ensuring Auditor Independence

We have taken a number of steps to ensure the continued independence of our independent registered public accounting firm. That firm reports directly to the Audit Committee, which also has the ability to pre-approve or reject any non-audit services proposed to be conducted by our independent registered public accounting firm.

Avoiding Conflicts of Interest

We expect our directors, executives and employees to conduct themselves with the highest degree of integrity, ethics and honesty. Our credibility and reputation depend upon the good judgment, ethical standards and personal integrity of each director, executive and employee. In order to provide assurances to the Company and its stockholders, we have implemented standards of business conduct which provide clear conflict of interest guidelines to its employees and directors, as well as an explanation of reporting and investigatory procedures.

Code of Ethics

The Company Board of Directors adopted a Code of Ethics for all of our employees, directors, principal executives and financial officers that describes the required conduct of honest and ethical behavior in the conduct of their duties. This code does not cover every issue that may arise, but sets out basic principles relating to conflict of interest, corporate opportunities, insider trading, confidentiality, protection and proper use of company assets, compliance with laws, rules and regulations, reporting of illegal or unethical behavior and accountability. The Code of Ethics is available for viewing on our website at www.cuiglobal.com. Copies of our Code of Business Conduct and Ethics will be provided free of charge upon written request to CUI Global, Inc., 20050 SW 112th Avenue, Tualatin, Oregon 97062, phone (503) 612-2300 or on our website at www.cuiglobal.com.

Audit Committee

The Audit Committee is established pursuant to the Sarbanes-Oxley Act of 2002 for the purposes of overseeing the company's accounts and financial reporting processes and audits of its financial statements. The Audit Committee is directly responsible for, among other things, the appointment, compensation, retention and oversight of our independent Registered Public Accounting firm, review of financial reporting, internal company processes of business/financial risk and applicable legal, ethical and regulatory requirements.

The Audit Committee is currently comprised of Sean P. Rooney, Thomas A. Price and Colton Melby. Each member of the Audit Committee is independent in accordance with applicable rules promulgated by the Securities and Exchange Commission and NASDAQ listing standards. Mr. Rooney, Mr. Price and Mr. Melby have an understanding of generally accepted accounting principles and have experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breath and complexity of issues that can reasonably be expected to be raised by the financial statements of the Company, including our balance sheet, income statement and cash flow statement. They have an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions as well as the ability to access the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves. The Board of Directors has determined that Messers Rooney and Price are “audit committee financial experts” as defined in Section 401(h) of Regulation S-K promulgated by the SEC under the Exchange Act. Our Audit Committee acts pursuant to a written charter, a copy of which is available from the Company and is posted on our website at www.cuiglobal.com. The Audit Committee has established a procedure to receive complaints regarding accounts, internal controls and auditing issues.

Audit Committee Report

The Audit Committee reviews the financial information that will be provided to the shareholders and others, the systems of internal controls established by management and the Board and the independence and performance of the Company's audit process.

The Audit Committee has:

1. Reviewed and discussed with management the audited financial statements included in the Company's Annual Report and Form 10-K;
Discussed with Liggett, Vogt & Webb, P.A. the Company's independent auditors, the matters required to be
2. discussed by statement of Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board;
3. Received the written disclosures and letter from Liggett, Vogt & Webb, P.A. as required by Independence Standards Board Standard No. 1; and
4. Discussed with Liggett, Vogt & Webb, P.A. its independence.

Based on these reviews and discussions, the Audit Committee has recommended that the audited financial statements be included in the Company's annual report on Form 10-K for the year ended December 31, 2012. The Audit Committee has also considered whether the amount and nature of non-audit services provided by Liggett, Vogt & Webb, P.A. is compatible with the auditor's independence.

Submitted by: Sean P. Rooney, Thomas A. Price, and Colton Melby

Audit Committee

Nominating Committee

The nominating committee consists of all of the members of the Board of Directors four of whom are "independent directors" within the meaning of Rule 4200(a)(15) of the Nasdaq Stock Market. The nominating committee is responsible for the evaluation of nominees for election as director, the nomination of director candidates for election by the shareholders and evaluation of sitting directors. The Board has developed a formal policy for the identification or evaluation of nominees. In general, when the Board determines that expansion of the Board or replacement of a director is necessary or appropriate, the nominating committee will review, through candidate interviews with members of the Board and management, consultation with the candidate's associates and through other means, a candidate's honesty, integrity, reputation in and commitment to the community, judgment, personality and thinking style, willingness to invest in the Company, residence, willingness to devote the necessary time, potential conflicts of interest, independence, understanding of financial statements and issues, and the willingness and ability to engage in meaningful and constructive discussion regarding Company issues. The committee would review any special

expertise, for example, that qualifies a person as an audit committee financial expert, membership or influence in a particular geographic or business target market, or other relevant business experience. To date the Company has not paid any fee to any third party to identify or evaluate, or to assist it in identifying or evaluating, potential director candidates.

The nominating committee will consider director candidates nominated by shareholders during such times as the Company is actively considering obtaining new directors. Candidates recommended by shareholders will be evaluated based on the same criteria described above. Shareholders desiring to suggest a candidate for consideration should send a letter to the Company's Secretary and include: (a) a statement that the writer is a shareholder (providing evidence if the person's shares are held in street name) and is proposing a candidate for consideration; (b) the name and contact information for the candidate; (c) a statement of the candidate's business and educational experience; (d) information regarding the candidate's qualifications to be director, including but not limited to an evaluation of the factors discussed above which the Board would consider in evaluating a candidate; (e) information regarding any relationship or understanding between the proposing shareholder and the candidate; (f) information regarding potential conflicts of interest; and (g) a statement that the candidate is willing to be considered and willing to serve as director if nominated and elected. Because of the small size of the Company and the limited need to seek additional directors, there is no assurance that all shareholder proposed candidates will be fully considered, that all candidates will be considered equally, or that the proponent of any candidate or the proposed candidate will be contacted by the Company or the Board, and no undertaking to do so is implied by the willingness to consider candidates proposed by shareholders.

Item 11. Executive Compensation

Compensation Discussion and Analysis

Compensation Committee Members

The Compensation Committee of the Board of Directors is appointed by the Board of Directors to discharge the Board's responsibilities with respect to all forms of compensation of the Company's executive officers, to administer the Company's equity incentive plans and to produce an annual report on executive compensation for use in the Company's Form 10-K. The Compensation Committee consists of two members of the board of directors, Messers Colton R. Melby and Corey A. Lambrecht, both of whom are "independent directors" within the meaning of Rule 5605(a)(2) of the Nasdaq Capital Market.

Role of Committee

The Compensation Committee discharges the Board's responsibilities relating to general compensation policies and practices and to compensation of our executives. In discharging its responsibilities, the Compensation Committee establishes principles and procedures in order to ensure to the Board and the shareholders that the compensation practices of the Company are appropriately designed and implemented to attract, retain and reward high quality executives and are in accordance with all applicable legal and regulatory requirements. In this context, the Compensation Committee's authority, duties and responsibilities are to:

- Annually review the Company's philosophy regarding executive compensation.
- Periodically review market and industry data to assess the Company's competitive position and to retain any compensation consultant to be used to assist in the evaluation of directors' and executive officers' compensation.
- Establish and approve the Company goals and objectives and associated measurement metrics relevant to compensation of the Company's executive officers.

- Establish and approve incentive levels and targets relevant to compensation of the executive officers.
Annually review and make recommendations to the Board to approve, for all principal executives and officers, the base and incentive compensation, taking into consideration the judgment and
- recommendation of the Chief Executive Officer for the compensation of the principal executives and officers.

Separately review, determine and approve the Chief Executive Officer's applicable compensation levels based on the Committee's evaluation of the Chief Executive Officer's performance in light of the Company's and the individual goals and objectives.

Periodically review and make recommendations to the Board with respect to the compensation of directors, including board and committee retainers, meeting fees, equity-based compensation and such other forms of compensation as the Compensation Committee may consider appropriate.

Administer and annually review the Company's incentive compensation plans and equity-based plans. Review and make recommendations to the Board regarding any executive employment agreements, any proposed severance arrangements or change in control and similar agreements/provisions and any amendments, supplements or waivers to the foregoing agreements and any perquisites, special or supplemental benefits.

Review and discuss with management, the Compensation Disclosure and Analysis (CD&A) and determine the Committee's recommendation for the CD&A's inclusion in the Company's annual report filed on Form 10-K with the SEC.

Committee Meetings

Our Compensation Committee meets formally and informally as often as necessary to perform its duties and responsibilities. The Compensation Committee held four meetings during fiscal 2011. On an as requested basis, our Compensation Committee receives and reviews materials prepared by management, consultants or committee members, in advance of each meeting. Depending on the agenda for the particular meeting, these materials may include:

- Minutes and materials from the previous meeting(s);
- Reports on year-to-date Company and Partnership financial performance versus budget;
- Reports on progress and levels of performance of individual and Company performance objectives;
- Reports on the Company's financial and stock performance versus a peer group of companies;
- Reports from the Committee's compensation consultant regarding market and industry data relevant to executive officer compensation;
- Reports and executive compensation summary worksheets, which sets forth for each executive officer: current total compensation and incentive compensation target percentages, current equity ownership holdings and general partner ownership interest and current and projected value of each and all such compensation elements, including distributions and dividends there from, over a five year period.

Compensation Philosophy

General Philosophy

Our compensation philosophy is based on the premise of attracting, retaining and motivating exceptional leaders, setting high goals, working toward the common objectives of meeting the expectations of customers and stockholders and rewarding outstanding performance. Following this philosophy, in determining executive compensation, we consider all relevant factors, such as the competition for talent, our desire to link pay with performance, the use of equity to align executive interests with those of our stockholders, individual contributions, teamwork and performance, each executive's total compensation package and internal pay equity. We strive to accomplish these objectives by compensating all employees with total compensation packages consisting of a combination of competitive base salary and incentive compensation.

Pay for Performance

At the core of our compensation philosophy is our strong belief that pay should be directly linked to performance. We believe in a pay for performance culture that places a significant portion of executive officer total compensation as contingent upon, or variable with, individual performance, Company performance and achievement of strategic goals including increasing shareholder value.

The performance based compensation for our executives may be in the form of (i) annual cash incentives to promote achievement of and accountability for, shorter term performance plans and strategic goals and (ii) equity grants, designed to align the long-term interests of our executive officers with those of our shareholders, by creating a strong and direct link between executive compensation and shareholder return over a multiple year performance cycle. Long term incentive equity awards are granted in restricted stock. These shares/units generally vest over a two to four year period. This opportunity for share ownership was provided in order to provide incentive and retain key employees and align their interests with our long term strategic goals.

Base Compensation to be Competitive within Industry

A key component of an executive's total compensation base salary is designed to compensate executives commensurate with their respective level of experience, scope of responsibilities, sustained individual performance and future potential. The goal has been to provide for base salaries that are sufficiently competitive with other similar-sized companies, both regionally and nationally, in order to attract and retain talented leaders.

Compensation Setting Process

Management's Role in the Compensation Setting Process.

Management plays a significant role in the compensation-setting process. The most significant aspects of management's role are:

- Assisting in establishing business performance goals and objectives;
- Evaluating employee and company performance;
- CEO recommending compensation levels and awards for executive officers;
- Implementing the Board approved compensation plans; and
- Assistance in preparing agenda and materials for the Committee meetings.

The Chief Executive Officer generally attends the Committee meetings; however, the Committee also regularly meets in executive session. The Chief Executive Officer makes recommendations with respect to financial and corporate goals and objectives and makes non CEO executive compensation recommendations to the Compensation Committee based on company performance, individual performance and the peer group compensation market analysis. The Compensation Committee considers and deliberates on this information and in turn makes recommendations to the Board of Directors, for the Board's determination and approval of the executives' and other members of senior

management's compensation, including base compensation, short-term cash incentives and long-term equity incentives. The Chief Executive Officer's performance and compensation is reviewed, evaluated and established separately by the Compensation Committee and ratified and approved by the Board of Directors.

Setting Compensation Levels

To evaluate our total compensation is competitive and provides appropriate rewards to attract and retain talented leaders, as discussed above, we may rely on analyses of peer companies performed by independent compensation consultants and on other industry and occupation specific survey data available to us. Our general benchmark is to establish both base salary and total compensation for the executive officers at the 50th percentile of the peer group data, recognizing that a significant portion of executive officer total compensation should be contingent upon, or variable with, achievement of individual and Company performance objectives and strategic goals, as well as being variable with stockholder value. Further, while the objective for base salary is at the 50th percentile of the peer group data, executives' base salaries are designed to reward core competencies and contributions to the Company and may be increased above this general benchmark based on (i) the individual's increased contribution over the preceding year; (ii) the individual's increased responsibilities over the preceding year; and (iii) any increase in median competitive pay levels.

Setting Performance Objectives

The Company's business plans and strategic objectives are generally presented by management at the Company's annual board meeting. The board engages in an active discussion concerning the financial targets, the appropriateness of the strategic objectives and the difficulty in achieving same. In establishing the compensation plan, our Compensation Committee then utilizes the primary financial objectives from the adopted business plan and operating cash flow as the primary targets for determining the executive officers' short-term cash incentives and long term equity incentive compensation. The Committee also establishes additional non-financial performance goals and objectives, the achievement of which is required for funding of a significant portion, approximately twenty five percent, of the executive officers' incentive compensation. In 2012, these non financial performance goals and objectives included achieving accurate financial reporting and timely SEC filings; demonstrating full compliance and superior performance in the Company's environmental, health and safety practices; performing appropriate SOX/404 remediation activities and achieving successful testing of and compliance with SOX requirements and general and administrative expense management. In addition, the executive team was charged with positioning the company for up-listing to a national stock exchange and an equity raise in early 2012. Said funding to be used to enhance the company's balance sheet; pay down corporate debt; increase the company's ability to rapidly bring its new products to market; and other appropriate matters.

Annual Evaluation

The Chief Executive Officer recommends the actual incentive award amounts for all other executives based on actual company performance relative to the targets as well as on individual performance and recommends the executives' base salaries levels for the coming year. The Compensation Committee considers these recommendations generally at the end of each fiscal year in determining its recommendations to the Board of Directors for the final short-term cash incentive and long-term equity award amounts for each executive and for the executive's base salary levels. The actual incentive amounts awarded to each executive are ultimately subject to the discretion of the Compensation Committee and the Board of Directors.

Additional equity-based awards may be also granted to executives, as well as other employees, upon commencement of employment, for promotions or special performance recognition or for retention purposes, based on the recommendation of the Chief Executive Officer. In determining whether to recommend additional grants to an executive, the Chief Executive Officer typically considers the individual's performance and any planned change in functional responsibility.

Elements of Executive Compensation

Total Compensation

Total compensation for our executives consists of three elements: (i) base salary; (ii) incentive cash award based on achieving specific performance targets as measured by cash flow and other objectives and (iii) equity incentive award, which is also performance based and paid out over a future period in the form of restricted stock or stock purchase options. Base salaries are the value upon which both the incentive compensation percentage targets are measured against. For evaluation and comparison of overall compensation of the executives and to assist it in making its compensation decisions, the Compensation Committee reviews an executive compensation summary, which sets forth for each executive: current compensation and current equity ownership holdings as well as the projected value of each and all such compensation elements, including distributions and dividends there from.

Base Salaries

Base salaries are designed to compensate executives commensurate with their respective level of experience, scope of responsibilities and to reward sustained individual performance and future potential. The goal has been to provide for base salaries that are sufficiently competitive with other similar-sized companies, both regionally and nationally, in order to attract and retain talented leaders.

Incentive Compensation

Incentive compensation is intended to align compensation with business objectives and performance and enable the company to attract, retain and reward high quality executive officers whose contributions are critical to short and long-term success of the Company. The executives' incentive awards are based upon three key performance metrics: 1) the Company's EBIDTA; 2) achievement of agreed-upon strategic and corporate performance goals; and 3) existing Employment Agreement.

The strategic and corporate performance goals are not intended to be a specific agreed-upon goal, but rather a general objective. Management and the board of directors discuss these factors and set objectives that are dynamic and change periodically. In setting these periodic goals, the board of directors discusses with management the nature of the objective and management's proposed method of achieving the goal. These goals change throughout the operational process because of changing dynamics such as economic conditions, current success of marketing, availability of materials, availability of funding and overall momentum toward achieving the goal.

Incentive Plan Compensation

Incentive awards are paid out in cash, restricted common stock or option awards. The incentive award targets for the executives are established at the beginning of the year, generally, as a percentage of their base salary and the actual awards are determined at the following year's Annual Board of Directors meetings based on actual company

performance relative to established goals and objectives, as well as on evaluation of the executive's relevant departmental and individual performance during the past year. In many instances the award of restricted common stock vests over a four year term in equal periodic tranches. The award of restricted common stock purchased through options generally, although not in every instance, vests immediately upon exercise of the option and generally has a validity of up to ten years and a per share purchase price, of no less than, the fair market value of our common stock on the date of grant. The awards are intended to serve as a means of incentive compensation for performance.

Retirement Plans

Our wholly owned subsidiary, CUI, Inc., maintains a 401(k) plan. The Company has a 401(k) retirement savings plan that allows employees to contribute to the plan after they have completed 3 months of service and are 21 years of age. The Company matches the employee’s contribution up to 6% of total compensation. Total employer contributions, net of forfeitures, were \$215,118 and \$179,234, for 2012 and 2011, respectively.

Change in Control Agreements

Our executives are awarded protection upon a change in control as specifically provided in their employment contracts.

Perquisites

The Company does not provide for any perquisites or any other benefits for its senior executives that are not generally available to all employees.

Compensation Committee Charter

Our Compensation Committee Charter is posted on our website at www.cuiglobal.com.

Summary Compensation Table

The following table sets forth the compensation paid and accrued to be paid by the Company for the fiscal years 2012, 2011 and 2010 to the Company’s Chief Executive Officer and two most highly compensated executive officers of the Company.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension and Nonqualified Deferred Compensation (\$)	All Other Compensation (\$)	Total (\$)
				(10)	(11)				

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form PRE 14A

										Compensation Earnings (\$)		
William J. Clough, CEO / President / Counsel / Director (1)	2012	337,500	164,920	(2)	160,080	(2)	841,408	(3)	-	-	17,860	1,521,768
	2011	325,000	124,792	(2)	-	-	-	-	-	-	6,110	455,902
	2010	282,500	90,000	(2)	-	-	167,808	(3)	-	-	5,687	545,995
Daniel N. Ford, CFO (4)	2012	195,000	160,130	(5)	51,120	(5)	27,451	(6)	-	-	34,860	468,561
	2011	195,000	62,500	(5)	-	-	-	-	-	-	33,186	290,686
	2010	157,500	90,000	(5)	-	-	56,866	(6)	-	-	25,943	330,309
Matthew M. McKenzie, COO / President of CUI Inc. / Director (7)	2012	205,000	147,808	(8)	32,400	(8)	32,902	(9)	-	-	34,860	452,970
	2011	205,000	114,583	(8)	-	-	-	-	-	-	32,475	352,058
	2010	162,500	90,000	(8)	-	-	68,159	(9)	-	-	21,848	342,507

Footnotes:

Mr. Clough joined the Company on September 1, 2005. Effective September 13, 2007, Mr. Clough was appointed 1. CEO/President of CUI Global and Chief Executive Officer of CUI, Inc., a wholly owned subsidiary of the Company.

Mr. Clough is employed under a multi-year employment contract with the company, which was recently extended to run to and through August 1, 2015. Said contract provides, in relevant part, for an annual salary of \$350,000 and bonus provisions for each calendar year. Bonuses are approved quarterly based on various performance-related factors and an evaluation of current performance. All such bonus payments shall be paid to Mr. Clough in equal monthly installments following the quarter in which the bonus is earned and shall be paid on the 15th day of each month. During 2012, in accordance with the bonus provisions of his employment contract, Mr. Clough received 33,350 shares of common stock with a fair value of \$160,080. At December 31, 2012 and 2011, there was an accrual of \$53,542 and \$13,542, respectively, for compensation owed to Mr. Clough..

Effective January 1, 2009, Mr. Clough received a fully vested bonus option to purchase 37,177 common shares, within ten years from date of issuance, at a price of \$7.50 per share. Effective October 11, 2010, Mr. Clough received a bonus option to purchase 37,177 common shares, within ten years from date of issuance, at a price of \$9.00 per share that vests over 4 years: 25% at year one and thereafter in equal monthly installments. Effective April 16, 2012, Mr. Clough received a bonus option to purchase 37,177 common shares, within ten years from date of issuance, at a price of \$4.56 per share that vests over 4 years: 25% at year one and thereafter in equal monthly installments. Under the terms of Mr. Clough's contract extension, effective September 21, 2012, Mr. Clough received a bonus option to purchase 330,000 common shares, within ten years from date of issuance, at a price of \$6.00 per share that vests in equal monthly installments over 4 years. Mr. Ford joined the Company May 15, 2008 as Chief Financial Officer of CUI Global and CUI, Inc., a wholly owned subsidiary of the Company.

Mr. Ford joined the Company May 15, 2008 as Chief Financial Officer of CUI Global and CUI, Inc., a wholly owned subsidiary of the Company.

Mr. Ford is employed under a three year employment contract with the company, which was extended to May 15, 2014 and provides, in relevant part, for an annual salary of \$195,000 and bonus provisions for each calendar year, beginning with 2010, in which the CUI Global yearend Statement of Operations shows a Net Profit and the Gross Revenue equal to or that exceeds fifteen percent (15%), but less than thirty percent (30%), of the immediate preceding calendar year, he shall be entitled to receive a cash bonus in an amount equal to fifty percent (50%) of his prior year base salary in addition to any other compensation to which he may be entitled; provided, however, that he shall be entitled to the bonus only if he has been employed by the Company during that entire calendar year. In substitution of the bonus percentages described above, he shall be entitled to receive, in any year in which annual Gross Revenue exceeds by 30% of the prior calendar year gross revenue, a sum equal to 100% of his prior year base salary. Bonuses are approved quarterly based on the above factors and an evaluation of current performance. All such bonus payments shall be paid to Mr. Ford in equal monthly installments following the quarter in which the bonus is earned and shall be paid on the 15th day of each month. During 2012, in accordance with the bonus provisions of his employment contract, Mr. Ford received 10,650 shares of common stock with a fair value of \$51,120. At December 31, 2012 and 2011 there was an accrual of \$8,125 and \$0, respectively, for compensation owed to Mr. Ford.

Effective January 1, 2009, Mr. Ford received a fully vested bonus option to purchase 12,598 common shares, within ten years from date of issuance, at a price of \$7.50 per share. Effective October 11, 2010, Mr. Ford received a bonus option to purchase 12,598 common shares, within ten years from date of issuance, at a price of \$9.00 per share that vests over 4 years: 25% at year one and thereafter in equal monthly installments. Effective April 16, 2012, Mr. Ford received a bonus option to purchase 12,598 common shares, within ten years from date of issuance, at a price of \$4.56 per share that vests over 4 years: 25% at year one and thereafter in equal monthly installments. Mr. McKenzie joined the Company May 15, 2008 as Chief Operating Officer of CUI Global and President and Chief Operating Officer of CUI, Inc., a wholly owned subsidiary of the Company.

7. Mr. McKenzie joined the Company May 15, 2008 as Chief Operating Officer of CUI Global and President and Chief Operating Officer of CUI, Inc., a wholly owned subsidiary of the Company.
- Mr. McKenzie is employed under a three year employment contract with the company, which was extended to May 15, 2014 and provides, in relevant part, for an annual salary of \$205,000 and bonus provisions for each calendar year, beginning with 2008, in which the CUI Global yearend Statement of Operations shows a Net Profit and the Gross Revenue equal to or that exceeds fifteen percent (15%), but less than thirty percent (30%), of the immediate preceding calendar year, he shall be entitled to receive a cash bonus in an amount equal to fifty percent (50%) of his prior year base salary in addition to any other compensation to which he may be entitled; provided, however, that he shall be entitled to the bonus only if he has been employed by the Company during that entire calendar year. In
8. substitution of the bonus percentages described above, he shall be entitled to receive, in any year in which annual Gross Revenue exceeds by 30% of the prior calendar year gross revenue, a sum equal to 100% of his prior year base salary. Bonuses are approved quarterly based on the above factors and an evaluation of current performance. All such bonus payments shall be paid to Mr. McKenzie in equal monthly installments following the quarter in which the bonus is earned and shall be paid on the 15th day of each month. During 2012, in accordance with the bonus provisions of his employment contract, Mr. McKenzie received 6,750 shares of common stock with a fair value of \$32,400. At December 31, 2012 and 2011 there was an accrual of \$8,542 and \$12,083, respectively, for compensation owed to Mr. McKenzie.
- Effective January 1, 2009, Mr. McKenzie received a fully vested bonus option to purchase 15,100 common shares, within ten years from date of issuance, at a price of \$7.50 per share. Effective October 11, 2010, Mr. McKenzie received a bonus option to purchase 15,100 common shares, within ten years from date of issuance, at a price of
9. \$9.00 per share that vests over 4 years: 25% at year one and thereafter in equal monthly installments. Effective April 16, 2012, Mr. McKenzie received a bonus option to purchase 15,100 common shares, within ten years from date of issuance, at a price of \$4.56 per share that vests over 4 years: 25% at year one and thereafter in equal monthly installments.
- As of December 31, 2012, William J. Clough, CEO/Director held 456,231 outstanding options, Matthew M.
10. McKenzie, COO/Director held 60,001 outstanding options and Daniel N. Ford, CFO held 37,794 outstanding options.
11. Please see the disclosure of assumptions made in the valuation of the option awards included in Note 8
- STOCKHOLDERS' EQUITY.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table sets forth the outstanding equity awards at December 31, 2012 to each of the named executive officers:

Name	Number of Securities Underlying Unexercised <u>Options</u> Exercisable (#)	Number of Securities Underlying Exercised <u>Options</u> (#)	<u>Equity Incentive Plan</u> Awards: Number of Securities Underlying Unexercised <u>Options</u> (#)	<u>Option</u> Exercise Price (\$)	<u>Option</u> Expiration Date	Number of Shares or Units of <u>Stock</u> That Have Not Vested		<u>Equity Incentive Plan</u> Awards: Number of Unearned Shares, Other Rights That Have Not Vested (#)	<u>Equity Incentive Plan</u> Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
						That Have Not Vested	That Have Vested		
William J. Clough (2)	-	-	37,177	7.50	1/1/2019	-	-	-	-
Matthew M. McKenzie (2)	-	-	15,100	7.50	1/1/2019	-	-	-	-
Daniel N. Ford (2)	-	-	12,598	7.50	1/1/2019	-	-	-	-
William J. Clough (3)	-	-	37,177	9.00	10/11/2020	-	-	16,265	89,295
Matthew M. McKenzie (3)	-	-	15,100	9.00	10/11/2020	-	-	6,606	36,267
Daniel N. Ford (3)	-	-	12,598	9.00	10/11/2020	-	-	5,512	30,261
William J. Clough (4)	-	-	37,177	4.56	4/16/2022	-	-	37,177	204,102
Matthew M. McKenzie (4)	-	-	15,100	4.56	4/16/2022	-	-	15,100	82,899
Daniel N. Ford (4)	-	-	12,597	4.56	4/16/2022	-	-	12,597	69,158
William J. Clough (5)	-	-	330,000	6.00	9/21/2022	-	-	302,500	1,660,725

Footnotes:

1. Calculated by multiplying the number of units by the CUI Global closing market price (\$5.49) as of December 31, 2012.
Effective January 1, 2009, Mr. Clough, Mr. McKenzie and Mr. Ford received fully vested bonus options to purchase 37,177, 15,100, and 12,598 common shares, respectively, within ten years from date of issuance, at a price of \$7.50 per share.
2. Effective October 11, 2010, Mr. Clough, Mr. McKenzie and Mr. Ford received bonus options to purchase 37,177, 15,100 and 12,598 common shares, respectively, within ten years from date of issuance, at a price of \$9.00 per share that vests over 4 years: 25% at year one and thereafter in equal monthly installments.
3. Effective April 16, 2012, Mr. Clough, Mr. McKenzie and Mr. Ford received bonus options to purchase 37,177, 15,100 and 12,598 common shares, respectively, within ten years from date of issuance, at a price of \$4.56 per share that vests over 4 years: 25% at year one and thereafter in equal monthly installments.
4. Effective September 21, 2012, under the terms of his contract extension, Mr. Clough received a bonus option to purchase 330,000 common shares, within ten years from date of issuance, at a price of \$6.00 per share that vests in equal monthly installments over 4 years.
- 5.

DIRECTOR COMPENSATION

The written report and recommendations of Compensia, Inc., as noted above in the section, *Equity Compensation Plans Not Approved by Shareholders*, upon which the Compensation Committee relied, also included a detailed director and committee compensation report and market analysis. The 2009 Equity Incentive Plan (Executive) provides for the issuance of stock options to attract, retain and motivate directors as well as other management personnel.

The Compensation Committee concluded that, after giving consideration to the directors' obligation in representation of the shareholders, the high standard of ethics and talent required, increasing workloads, greater exposure, more stringent director independence standards and the SEC's disclosure rules, directors and committee members should be compensated fairly for time and value delivered and the compensation should be sufficient to attract and retain qualified competent individuals to serve on our board. The Compensation Committee adopted the recommendations of Compensia and approved a director and committee compensation plan.

The Compensation Committee concluded that the appropriate compensation for calendar year 2009 should be in the form of options granted in an amount equal to the 50th percentile for similar companies, but discounted by a factor of 10% at an option strike price of \$7.50 per share. This price reflected the true value of the directors' work, provides adequate incentive to each director and does not unfairly penalize the directors for current market conditions. Moreover, the \$7.50 strike price reflects the price at which much of the underlying funding and CUI transaction was originally priced.

In keeping with this original compensation structure, the Compensation Committee concluded that the appropriate compensation for calendar year 2010 should continue to be in the form of options granted in an amount equal to the 50th percentile for similar companies, but discounted by a factor of 10% at an option strike price of \$9.00 per share. In furtherance of this compensation plan, October 11, 2010, the Board of Directors authorized an additional 3,060,382 options under the 2009 Equity Incentive Plan (Executive). All options granted are presented at post-reverse quantities. On October 11, 2010, 3,300 options (number of options represents post reverse of 30:1) were granted to each director of the Company with an exercise price of \$9.00 per share and that vest one year after the October 11, 2010 date of grant. The \$9.00 option price reflects a stock price fair to both the director and the Company.

On April 16, 2012, 3,300 options were granted to each director of the Company with an exercise price of \$4.56 per share and that vest one year after the April 16, 2012 date of grant. The \$4.56 option price reflects a stock price fair to both the director and the Company. No executive options were granted in 2011.

Board of Directors Members

Cash Retainer - \$23,750 annually for board members and \$33,750 for the Chairman.

Initial, one time only, option to purchase 4,800 common shares at an exercise price that is not less than the fair market value per share. The option vests over four years, 25% after the first year, thereafter equally each month for the balance of the four year term.

Annual Option to purchase 3,300 common shares at an exercise price that is not less than the fair market value per share at the date of grant. The option vests in full after one year. No options were granted in 2011 to directors.

Meeting fee: none.

Director Compensation Table

The following table sets forth the compensation of the directors, included in the Outstanding Equity Awards schedule noted above, for the fiscal year ending December 31, 2012.

Director Compensation

Name and Principal Position	Year	Fees earned or paid in cash (\$) (2)	Stock Awards (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Colton Melby, Chmn.	2012	33,750	-	7,191	-	-	-	40,941
	2011	32,875	-	-	-	-	-	32,875
	2010	32,000	-	14,896	-	-	-	46,896
William J. Clough	2012	-	-	7,191	-	-	-	7,191
	2011	-	-	-	-	-	-	-
	2010	-	-	14,896	-	-	-	14,896
Matthew M. McKenzie	2012	-	-	7,191	-	-	-	7,191
	2011	-	-	-	-	-	-	-
	2010	-	-	14,896	-	-	-	14,896
Thomas A. Price	2012	23,750	-	7,191	-	-	-	30,941
	2011	23,375	-	-	-	-	-	23,375
	2010	23,000	-	14,896	-	-	-	37,896
Sean P. Rooney	2012	23,750	-	7,191	-	-	-	30,941
	2011	24,625	-	-	-	-	-	24,625
	2010	25,500	-	14,896	-	-	-	40,396
Corey Lambrecht	2012	23,750	-	7,191	-	-	-	30,941
	2011	24,125	-	-	-	-	-	24,125
	2010	24,500	-	14,896	-	-	-	39,396

Footnotes:

1. Effective January 1, 2009, each director received an option to purchase 4,800 common shares within ten years from date of issuance that vests over four years, 25% after the first year and in equal monthly installments over the balance of the four year term. Effective January 1, 2009, each director received an option to purchase 3,300 common shares at a price of \$7.50 per share that vests one year after issuance. Additionally, effective October 11, 2010, each director received an option to purchase 3,300 common shares at a price of \$9.00 per share that vests one year after issuance. Directors are to receive a grant of 3,300 options annually. Options fully vest after one year. During the year ended 2011, directors did not receive a grant of options. Effective April 16, 2012, each director

received an option to purchase 3,300 common shares at a price of \$4.56 per share that vests one year after issuance. As of December 31, 2012, each non-employee director held 14,700 options remaining outstanding of which 11,400 of those options were fully vested, and William J. Clough, CEO/Director held 456,231 outstanding options of which 96,989 of those options were fully vested and Matthew M. McKenzie, COO/Director held 60,001 outstanding options of which 34,994 of those options were fully vested. Please see the disclosure of assumptions made in the valuation of the option awards included in Note 8 STOCKHOLDERS' EQUITY.

During 2009, 2010, and pro rata through June 30, 2011, each director received an annual cash retainer of \$20,000, no meeting fee, Board Chair receives additional \$10,000 annually; Audit Committee members receive \$3,000 annually, Audit Committee Chair receives \$5,500 annually, Compensation Committee members receive \$2,000 2. annually, Compensation Committee Chair receives \$4,500 annually. Effective July 1, 2011, each director receives a cash retainer of \$23,750 annually paid pro rata from the July 1, 2011 effective date, no meeting fee and the Chairman receives a cash retainer of \$33,750 annually paid pro rata from the July 1, 2011 effective date, with no meeting fee.

OUTSTANDING DIRECTOR EQUITY AWARDS AT FISCAL YEAR END

The following table sets forth the outstanding director equity awards at December 31, 2012 to each of the named directors:

Director	Total Underlying Common Shares (1)	Exercise Price per Share	Option Term from Grant Date	Vesting	Total Underlying Common Vested at 01/01/2012	Total Underlying Common Vesting at 01/01/2013	Total Underlying Common Vesting at 01/01/2014	Total Underlying Common Vesting at 01/01/2015
Colton Melby, Chmn.	3,300	\$ 4.56	10 years	1 year (3)	-	-	3,300	3,300
Colton Melby, Chmn.	3,300	\$ 9.00	10 years	1 year (3)	3,300	3,300	3,300	3,300
Colton Melby, Chmn.	4,800	\$ 7.50	10 years	4 years (2)	3,600	4,800	4,800	4,800
Colton Melby, Chmn.	3,300	\$ 7.50	10 years	1 year (3)	3,300	3,300	3,300	3,300
William J. Clough	3,300	\$ 4.56	11 years	1 year (3)	-	-	3,300	3,300
William J. Clough	3,300	\$ 9.00	10 years	1 year (3)	3,300	3,300	3,300	3,300
William J. Clough	4,800	\$ 7.50	10 years	4 years (2)	3,600	4,800	4,800	4,800
William J. Clough	3,300	\$ 7.50	10 years	1 year (3)	3,300	3,300	3,300	3,300
Matthew M. McKenzie	3,300	\$ 4.56	11 years	1 year (3)	-	-	3,300	3,300
Matthew M. McKenzie	3,300	\$ 9.00	10 years	1 year (3)	3,300	3,300	3,300	3,300
Matthew M. McKenzie	4,800	\$ 7.50	10 years	4 years (2)	3,600	4,800	4,800	4,800
Matthew M. McKenzie	3,300	\$ 7.50	10 years	1 year (3)	3,300	3,300	3,300	3,300
Thomas A. Price	3,300	\$ 4.56	11 years	1 year (3)	-	-	3,300	3,300
Thomas A. Price	3,300	\$ 9.00	10 years	1 year (3)	3,300	3,300	3,300	3,300
Thomas A. Price	4,800	\$ 7.50	10 years	4 years (2)	3,600	4,800	4,800	4,800
Thomas A. Price	3,300	\$ 7.50	10 years	1 year (3)	3,300	3,300	3,300	3,300
Sean P. Rooney	3,300	\$ 4.56	11 years	1 year (3)	-	-	3,300	3,300
Sean P. Rooney	3,300	\$ 9.00	10 years	1 year (3)	3,300	3,300	3,300	3,300
Sean P. Rooney	4,800	\$ 7.50	10 years		3,600	4,800	4,800	4,800

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form PRE 14A

				4 years (2)					
Sean P. Rooney	3,300	\$ 7.50	10 years	1 year (3)	3,300	3,300	3,300	3,300	3,300
Corey Lambrecht	3,300	\$ 4.56	11 years	1 year (3)	-	-	3,300	3,300	3,300
Corey Lambrecht	3,300	\$ 9.00	10 years	1 year (3)	3,300	3,300	3,300	3,300	3,300
Corey Lambrecht	4,800	\$ 7.50	10 years	4 years (2)	3,600	4,800	4,800	4,800	4,800
Corey Lambrecht	3,300	\$ 7.50	10 years	1 year (3)	3,300	3,300	3,300	3,300	3,300

Footnotes:

Effective January 1, 2009, each director received an option to purchase 4,800 common shares within ten years from date of issuance that vests over four years, 25% after the first year and in equal monthly installments over the balance of the four year term. Also, effective January 1, 2009, each director received an option to purchase 3,300 common shares at a price of \$7.50 per share that vests one year after issuance. Additionally, effective October 11, 2010, each director received an option to purchase 3,300 common shares at a price of \$9.00 per share that vests one year after issuance. During the year ended 2011, directors did not receive a grant of options. Effective April 16, 2012, each director received an option to purchase 3,300 common shares at a price of \$4.56 per share that vests one year after issuance. Directors are to receive a grant of 3,300 options annually. Options fully vest after one year.

2. Vests over four years, 25% after the first year and in equal monthly installments over the balance of the four year term.
3. Options fully vest after one year.

Employment Agreements

During fiscal year 2012, three executive officers were employed under employment agreements.

Those executive officers are:

- Chief Executive Officer and General Counsel
President/Chief Operating Officer of CUI, Inc., a wholly owned subsidiary of CUI Global, Inc. and Chief Operating Officer of CUI Global, Inc.
- Chief Financial Officer of CUI Global, Inc. and CUI, Inc., a wholly owned subsidiary of CUI Global, Inc.

To see the material terms of each named executive officer's employment agreement, please see the footnotes to the Summary Compensation Table.

Compensation Committee Report

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Submitted by: Compensation Committee
Colton R. Melby, Chairman
Corey A. Lambrecht

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information regarding beneficial ownership of our Voting Shares as of the date of this report by: (i) each shareholder known by us to be the beneficial owner of 5% or more of the outstanding voting shares, (ii) each of our directors and executives and (iii) all directors and executive officers as a group. Except as otherwise indicated, we believe that the beneficial owners of the Voting Shares listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Shares of common stock issuable upon exercise of options and warrants that are currently exercisable or that will become exercisable within 60 days of filing this document have been included in the table.

Effective September 17, 2012, the Board of Directors passed a resolution eliminating and discontinuing all Series A and B Convertible Preferred and Series C Preferred stock and requiring that all preferred stock shall be returned to the Company treasury. As of December 31, 2012, no shares of Series B and Series C Convertible Preferred Stock are issued and outstanding.

BENEFICIAL INTEREST TABLE

Name and Address of Beneficial Owner (1)	Common Stock			Percent of All	
	Number	Percent of Class (2)		Voting Securities (3)	
Colton Melby (4)	384,721	3.53	%	3.53	%
William J. Clough (5)	125,621	1.14	%	1.14	%
Thomas A. Price (6)	68,067	*		*	
Sean P. Rooney (7)	17,173	*		*	
Corey Lambrecht (8)	11,400	*		*	
Matthew M McKenzie (9)	45,847	*		*	
Daniel N. Ford (10)	32,214	*		*	
Manchester Management Company, LLC (11)	664,154	6.10	%	6.10	%
Officers, Directors, Executives as Group	685,043	6.17	%	6.17	%

Footnotes:

1. Except as otherwise indicated, the address of each beneficial owner is c/o CUI Global, Inc., 20050 SW 112th Avenue, Tualatin, Oregon 97062.

2. Calculated on the basis of 10,883,280 shares of common stock issued and outstanding at December 31, 2012 except that shares of common stock underlying options and warrants exercisable within 60 days of the date hereof are deemed to be outstanding for purposes of calculating the beneficial ownership of securities of such holder of options or warrants.

3. Calculated on the basis of 10,883,280 shares of common stock with one vote per share; shares of common stock underlying options exercisable within 60 days of the date hereof are deemed to be outstanding for purposes of

calculating the beneficial ownership of securities of such holder of options or warrants.

Colton Melby controls the investment decisions of a limited liability company that owns the securities. The limited liability company is owned by a limited partnership in which Mr. Melby owns an indirect interest. Mr. Melby's
4. common stock includes vested options to purchase 11,400 common shares. Mr. Melby is Chairman of the Board of Directors.

5. Mr. Clough's common stock includes vested options to purchase 112,288 common shares. Mr. Clough is a Director and Chief Executive Officer/President of CUI Global, Inc.
6. Mr. Price's shares included vested options to purchase 11,400 common shares. Mr. Price is a Director.
7. Mr. Rooney's shares include vested options to purchase 11,400 common shares. Mr. Rooney is a Director.
8. Mr. Lambrecht's shares include vested options to purchase 11,400 common shares. Mr. Lambrecht is a Director.
9. Mr. McKenzie's shares include vested options to purchase 38,420 common shares. Mr. McKenzie is a Director, Chief Operating Officer of CUI Global, Inc. Mr. McKenzie's securities include an option to purchase 2,796 shares owned by his spouse.
10. Mr. Ford's shares include vested options to purchase 20,210 common shares. Mr. Ford is the Chief Financial Officer of CUI Global, Inc.
11. The securities are beneficially owned by both Manchester Management Company, LLC and James E. Besser.

We relied upon Section 4(2) of the Securities Act of 1933 as the basis for an exemption from registration for the issuance of the above securities.

Employee Equity Incentive Plans

At December 31, 2012, the Company had outstanding the following equity compensation plan information:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighter-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	49,917	\$ 5.47	1,329,833
Equity compensation plans not approved by security holders	632,224	\$ 6.54	649,250
Total	682,141	\$ 6.47	1,979,083

Equity Compensation Plans Approved by Shareholders

On May 16, 2008 the Company's Board of Directors adopted the 2008 Equity Incentive Plan and authorized 1,500,000 shares of Common Stock to fund the Plan. At the 2008 Annual Meeting of Shareholders held on September 15, 2008, the Equity Incentive Plan was approved by the Company shareholders. At the 2009 Annual Meeting of Shareholders held on September 29, 2009, the shareholders approved an amendment to the 2008 Equity Incentive Plan to increase the number of common shares issuable under the plan from 1,500,000 to 3,000,000. All of these shares have been registered under Form S-8.

The 2008 Equity Incentive Plan is intended to: (a) provide incentive to employees of the Company and its affiliates to stimulate their efforts toward the continued success of the Company and to operate and manage the business in a manner that will provide for the long-term growth and profitability of the Company; (b) encourage stock ownership by employees, directors and independent contractors by providing them with a means to acquire a proprietary interest in the Company by acquiring shares of Stock or to receive compensation which is based upon appreciation in the value of Stock; and (c) provide a means of obtaining and rewarding employees, directors, independent contractors and advisors.

The 2008 Equity Incentive Plan provides for the issuance of incentive stock options (ISOs) and Non Statutory Options (NSOs) to employees, directors and independent contractors of the Company. The Board shall determine the exercise price per share in the case of an ISO at the time an option is granted and such price shall be not less than the fair

market value or 110% of fair market value in the case of a ten percent or greater stockholder. In the case of an NSO, the exercise price shall not be less than the fair market value of one share of stock on the date the option is granted. Unless otherwise determined by the Board, ISOs and NSOs granted under the both plans have a maximum duration of 10 years.

Equity Compensation Plans Not Approved by Shareholders

In January 2009 the Company Board of Directors received and approved a written report and recommendations of the Compensation Committee which included a detailed executive equity compensation report and market analysis and the recommendations of Compensia, Inc., a management consulting firm that provides executive compensation advisory services to compensation committees and senior management of knowledge-based companies. The Compensation Committee used the report and analysis as a basis for its formal written recommendation to the board. Pursuant to a board resolution the 2009 Equity Incentive Plan (Executive), a Non-Qualified Stock Option Plan, was created and funded with 4,200,000 shares of \$0.001 par value common stock. The Compensation Committee was appointed as the Plan Administrator to manage the plan.

October 11, 2010, the Board of Directors authorized an additional 3,060,382 options under the 2009 Equity Incentive Plan (Executive). Options granted are presented at post reverse quantities. On October 11, 2010, 3,300 options were granted to each director of the Company with an exercise price of \$9.00 per share and vesting one year after the October 11, 2010 date of grant. Two employees who also serve as directors received 52,277 bonus options as employees and 29,936 stock options were granted to corporate officers and employees. The employee bonus options have an exercise price of \$9.00 per share and vest over four years, 25% at year one and thereafter in equal monthly installments.

The 2009 Equity Incentive Plan (Executive) provides for the issuance of stock options to attract, retain and motivate executive and management employees and directors and to encourage these individuals to acquire an equity interest in the Company, to make monetary payments to certain management employees and directors based upon the value of the Company's stock and to provide these individuals with an incentive to maximize the success of the Company and further the interest of the shareholders. The 2009 Plan provides for the issuance of Incentive Non Statutory Options. The Administrator of the plan is authorized to determine the exercise price per share at the time the option is granted, but the exercise price shall not be less than the fair market value on the date the option is granted. Stock options granted under the 2009 Plan have a maximum duration of 10 years.

The Company has outstanding at December 31, 2012, the following options issued under equity compensation plans not approved by security holders:

During 2009, the Company issued under the 2009 Equity Incentive Plan (Executive) to officers and directors options to purchase restricted common stock at \$7.50 per share as follows: 85,009 fully vested shares; 28,800 shares that vest over four years, 25% at year one and thereafter in equal monthly installments; and 19,800 shares that fully vested one year after the date of grant.

During 2010 the Company issued under the 2009 Equity Incentive Plan (Executive) to officers and directors options to purchase restricted common stock at \$9.00 per share as follows: 19,800 options that vest one year after the 10/11/2010

grant date and 82,213 options that vest over four years, 25% at one year after the grant date, thereafter in equal monthly installments.

During 2012 the Company issued under the 2009 Equity Incentive Plan (Executive) to officers and directors options to purchase restricted common stock at \$4.56 per share as follows: 19,800 options that vest one year after the April 16, 2012 grant date and 64,875 options that vest over four years, 25% at one year after the grant date, thereafter in equal monthly installments. Additionally, on September 21, 2012, the Board of Directors authorized 330,000 options under the 2009 Equity Incentive Plan (Executive) that were granted at \$6.00 per share to an officer that vest in equal monthly installments over the course of forty-eight consecutive months beginning September 2012.

Item 13. Certain Relationships and Related Transactions and Director Independence

Except as set forth herein, none of the Company's directors or officers nor any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to its outstanding shares, nor any relative or spouse of any of the foregoing persons, since the beginning of fiscal year 2012, has any material interest, direct or indirect, in any transaction or in any presently proposed transaction where the amount involved exceeds \$120,000 which has or will materially affect the Company.

IED and Other Affiliates Related Matters

Effective May 16, 2008 the Company formed a wholly owned subsidiary into which CUI, Inc., an Oregon corporation, merged all of its assets. The funding for this acquisition was provided by a bank note, a seller's note and a convertible seller's note. Matthew McKenzie, COO and Daniel Ford, CFO each were partial owners in CUI, Inc. prior to the acquisition and they each, along with James McKenzie are shareholders in International Electronic Devices, Inc. (IED). The convertible seller's note was satisfied in 2010.

The acquisition of CUI utilized a \$14,000,000 seller's promissory note issued to International Electronic Devices, Inc. (IED), the former CUI shareholders, payable monthly over three years at \$30,000 per month including 1.7% annual simple interest with a balloon payment at the thirty sixth monthly payment, no prepayment penalty, annual success fee of 2.3% payable within three years, right of first refusal to the note payees relating to any private capital raising transactions of CUI Global during the term of the note. Effective September 1, 2010, the Company and the holder of the \$14,000,000 promissory note agreed to reduce the note principal by \$1,588,063 and accrued interest by \$724,729 and to restructure the interest rate and payment terms. The forgiveness of debt and accrued interest of \$2,312,792 was recognized as a contribution of additional paid in capital. With this amendment, the Company agreed to pay \$1,200,000 of the principal balance during the fourth quarter of 2010 and an additional \$487,208 of the principal balance during the first quarter of 2011. The new terms set the interest rate at 6% per annum with monthly interest payments and a May 15, 2018 balloon payment.

During 2012 and 2011, \$3,468,221 and \$1,110,809, respectively, in principal and interest payments were made in relation to the promissory notes issued to IED. The 2012 payment utilized \$3,000,000 from the equity sale proceeds for the repayment of principal. The 2011 payment included a note receivable balance of \$192,508 held by CUI Global that was conveyed to IED, Inc. and applied towards the promissory note balance in accordance with a settlement agreement.

Leased Office and Warehouse

As an integrated part of the CUI asset acquisition, the CUI Global, Inc. corporate offices were relocated to the CUI location at 20050 SW 112th Avenue, Tualatin, Oregon 97062. CUI and CUI Global occupy the 61,380 square feet of offices and warehouse premises under a ten year non-cancelable lease agreement beginning September 1, 2006 with

Barakel, LLC (a related party) at a base monthly rent subject to periodic base payment increases plus real property taxes, utilities, insurance and common area maintenance charges. During the year ended December 31, 2012, the monthly base rent was \$40,250 in accordance with the lease schedule. During the period January 1 through August 31, 2011, the monthly base rent was \$40,000 and increased in accordance with the lease schedule to \$40,250 for the period September 1 through December 31, 2011. Barakel, LLC is controlled by James McKenzie, majority owner of CUI, Inc. prior to acquisition and Matt McKenzie, COO and Director of the Company.

Matters Relating to the Bank Note

The \$6,000,000 bank note utilized in the acquisition of CUI Inc. as noted above was secured by personal guarantees in the form of Letters of Credit in favor of the Commerce Bank of Oregon. In consideration for posting the Letters of Credit, the Company issued to each individual who supplied a Letter of Credit, warrants to purchase, within 3 years at a per share price of \$0.30, one CUI Global common share for every thirty dollars (\$30) of the Letter of Credit. The warrants became fully vested at the second anniversary date. A former officer of the Company, Clifford Melby, received a 10,000 share warrant which was exercised August 17, 2010; a former director, John Rouse, received a 10,000 share warrant which was exercised December 16, 2010; a director, Colton Melby (through an entity in which Colton Melby controls the investment decisions), received a 13,333 share warrant which was exercised August 18, 2010; a director, Thomas A. Price, received a 23,333 share warrant which was exercised April 19, 2011; an owner of 10% of the voting rights attached to outstanding shares, Kjell H. Qvale Survivors Trust, received a 133,333 share warrant which was exercised May 13, 2011; and a 10,000 share warrant was issued to an individual investor, which was exercised May 4, 2011.

In August 2010, the Company received \$2,000,000 in equity investment for which the Company issued 631,314 shares of common stock at \$3.168 per share. The \$2,000,000 received was used to pay down the \$6,000,000 bank loan with Commerce Bank, bringing the net loan balance to \$4,000,000. The 631,314 shares of common stock were issued as follows: 284,091 to an investor, 126,263 to an entity controlled by a director, Colton Melby, 126,263 to a director, Thomas A. Price, and 94,697 to a former officer of the Company. Also in August 2010, the Company replaced the \$4,000,000 cash loan from Commerce Bank of Oregon with a \$4,000,000 term note through the Business Credit division of Wells Fargo Capital Finance, Wells Fargo Bank, National Association, with a July 31, 2012 maturity date, paying interest only at an interest rate equal to the daily three month LIBOR plus 4.00% and secured by personal letters of credit from a related party. In February 2012, the company utilized \$4,000,000 from the 2012 equity raises to repay the principal balance in full. The balance remaining at December 31, 2012 and 2011 on the term note with Wells Fargo was \$0 and \$4,000,000.

Short Term Convertible Loan

In July 2011, a CUI Global officer, Daniel N. Ford, provided a short term convertible loan of \$35,000 to the Company which accrues interest at 6% per annum, convertible at \$5.10 per common share. The balance of this loan was paid in full during 2012 following the receipt of proceeds from the equity raise. The balance remaining at December 31, 2012 is \$0.

Item 14. Principal Accountants Fees and Services

Compensation of Auditors

The financial statements of the Company, which are furnished herein as of December 31, 2012, have been audited by Liggett, Vogt & Webb, P. A., Independent Registered Public Accounting Firm. Liggett, Vogt & Webb, P. A. billed the Company an aggregate of \$113,134 in fees and expenses for professional services rendered in connection with the audit of the Company's financial statements for the fiscal year ended December 31, 2012 and the reviews of the

financial statements included in each of the Company's Quarterly Reports on Form 10-Q during the fiscal year ended December 31, 2012. Liggett, Vogt & Webb, P. A. billed the Company an aggregate of \$134,968 in fees and expenses for professional services rendered in connection with the audit of the Company's financial statements for the fiscal year ended December 31, 2011 and the reviews of the financial statements included in each of the Company's Quarterly Reports on Form 10-Q during the fiscal year ended December 31, 2011. Liggett, Vogt & Webb, P.A. billed audit related fees, tax fees, or other fees of \$0 and \$5,276 during the years ended December 31, 2012 and 2011, respectively.

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder, the Audit Committee has adopted an informal approval policy that it believes will result in an effective and efficient procedure to pre-approve services performed by the independent registered public accounting firm.

Part IV

Item 15. Exhibits, Financial Statement Schedules

EXHIBITS

The following exhibits are included as part of this Form 10-K.

Exhibit No.	Description
3.9 ²	Articles of Amendment to Articles of Incorporation increasing the authorized common shares from 200,000,000 to 325,000,000, filed September 17, 2009.
3.10 ⁴	Amended and Restated Articles of Incorporation showing corporate name change to CUI Global, Inc.
10.32 ⁴	Amendment to \$14,000,000 Convertible Promissory

- 10.33⁴ Note effective September 1, 2010. Agreement for Accord and Satisfaction of an Undisputed Debt dated April 1, 2010.
- 10.34⁵ Agreement for the sale of certain intellectual property rights dated September 2, 2011.
- 10.35⁶ July 1, 2011 binding LOI for CUI Global to convey its 49% ownership interest in Comex Electronics to the owners of the remaining 51% of Comex Electronics.
- 10.36⁶ Comex divestiture payment schedule, effective July 1, 2011.
- 10.37⁶ July 11, 2011 Memorandum of Understanding with Ericsson.
- 10.38⁶ March 5, 2010 Exclusive Field of Use Agreement with California Power Research to license their BPS-5 topology, now

marketed as
Solus
Topology.
Confidential
portion(s) of
this document
have been
redacted
pursuant to
protection as
"confidential"
under
Exemption 4 of
the Freedom of
Information
Act, 5 U.S.C. §
552(b)(4). A
request for
confidential
treatment has
been filed
separately with
the SEC.
September 18,
2009
non-exclusive
Field of Use
Agreement
with
Power-One,
Inc. to license
Power-One's
Digital Power
Technology
patent.
Confidential
portion(s) of
this document
have been
redacted
pursuant to
protection as
"confidential"
under
Exemption 4 of
the Freedom of
Information
Act, 5 U.S.C. §
552(b)(4). A
request for
confidential

10.39⁶

treatment has
been filed
separately with
the SEC.
April 20, 2009
exclusive
Licensing
Agreement
with
AnderMotion
Technologies
LLC to
manufacture,
sell and
distribute
motion control
devices
utilizing the
AMT encoder
technology.
10.41⁶ December 1,
2009 exclusive
License
Agreement
with GL
Industrial
Services UK,
Ltd. through
which CUI
Global owns
exclusive
rights to
manufacture,
sell and
distribute a
Gas Quality
Inferential
Measurement
Device
(Vergence)
designed by
GL on a
worldwide
basis.
Confidential
portion(s) of
this document
have been
redacted
pursuant to
protection as

"confidential"
under
Exemption 4 of
the Freedom of
Information
Act, 5 U.S.C. §
552(b)(4). A
request for
confidential
treatment has
been filed
separately with
the SEC.
October 21,
2011 exclusive
three-year
Distribution
Agreement
with
Orbital-UK for
distribution of
the Vergence
technology
within the
United
Kingdom.
Confidential
portion(s) of
this document
have been
redacted
pursuant to
protection as
"confidential"
under
Exemption 4 of
the Freedom of
Information
Act, 5 U.S.C. §
552(b)(4). A
request for
confidential
treatment has
been filed
separately with
the SEC.

10.42⁶

- 10.43⁶ January 16, 2012 exclusive three-year distribution agreement with SOCRATE s.p.a for distribution of the Vergence technology for Italy and North Africa. Confidential portion(s) of this document have been redacted pursuant to protection as "confidential" under Exemption 4 of the Freedom of Information Act, 5 U.S.C. § 552(b)(4). A request for confidential treatment has been filed separately with the SEC.
- 10.44⁶ November 1, 2011 two year Manufacturing Agreement with Agilent Technologies Singapore International for the sale of product to Agilent. Confidential portion(s) of this document have been redacted pursuant to protection as "confidential" under Exemption 4 of the Freedom of Information Act, 5 U.S.C. § 552(b)(4). A request for confidential treatment has been filed separately with the SEC.
- 10.46⁶ April 1, 2009 exclusive world-wide Distribution Agreement with Digi-Key Corporation.
- 10.46⁶ March 18, 2011 Contract Manufacturing Agreement with Ingenion Design, Ltd.
- 10.47⁶ June 5, 2012 three year Distributor Agreement with Belleau Wood Group. Confidential portion(s) of this document have been redacted pursuant to protection as "confidential" under Exemption 4 of the Freedom of Information Act, 5 U.S.C. § 552(b)(4). A request for confidential treatment has been filed separately with the SEC.
- 10.48⁶ September 1, 2007, Lease Agreement with Barakel, LLC for the corporate location in Tualatin, OR.
- 10.49⁶ July 26, 2010, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Credit and Security Agreement.
- 10.50⁶ July 26, 2010, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Revolving Note.
- 10.51⁶ July 26, 2010, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Security Agreement.
- 10.52⁶ May 27, 2011, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Subordination Agreement.
- 10.53⁶ August 23, 2010, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Term Note.
- 10.54⁶ August 9, 2010, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Patent and Trademark Security Agreement.
- 10.56⁶ January 25, 2011, line of credit document with the Business Credit division of Wells Fargo Capital Finance, First Amendment to the Credit and Security Agreement.
- 10.56⁶ April 12, 2011, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Second Amendment to the Credit and Security Agreement.
- 10.57⁶ May 24, 2011, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Third Amendment to the Credit and Security Agreement.
- 10.58⁶ November 29, 2011, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Fourth Amendment to the Credit and Security Agreement.
- 10.59⁶ December 21, 2011, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Fifth Amendment to the Credit and Security Agreement.
- 10.60⁶ May 15, 2008 Employment Agreement of Daniel N. Ford and Addendum "A" dated July 1, 2010.
- 10.61⁶ May 15, 2008 Employment Agreement of Matthew M. McKenzie and Addendum "A" dated July 1, 2010.
- 10.62⁶ August 1, 2012 Addendum "D" to the employment Agreement of William J. Clough.
- 10.63⁶ Amendment to promissory note payable to IED, Inc., effective September 1, 2010.
- 10.64⁶ Amendment to promissory note payable to IED, Inc., effective December 1, 2010.

- 10.65⁶ Amendment to promissory payable to Central Finance, LLC, managed by a former officer, dated September 30, 2010.
- 10.66⁶ Satisfaction of promissory note payable to Central Finance, LLC dated December 15, 2011.
- 10.67⁶ July 28, 2011 Promissory note payable to Daniel N. Ford, CFO.
- 10.68⁶ November 3, 2010 Purchase Sales Agreement with Tensility International Corporation, controlled by a sibling of an officer and director.
- 10.69⁶ October 28, 2011 Finder's Fee Agreement with Test Products International, Inc. and James McKenzie, a related party.
- 10.71⁷ April 3, 2012, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Sixth Amendment to the Credit and Security Agreement.
- 10.72⁷ December 7, 2012, line of credit document with the Business Credit division of Wells Fargo Capital Finance, Seventh Amendment to the Credit and Security Agreement.
- 14.1¹ Waytronx, Inc. Code of Ethics for Principal Executive and Financial Officers and Waytronx, Inc. Code of Ethics and Business Conduct Statement of General Policy.
- 21.1³ List of all subsidiaries, state of incorporation and name under which the subsidiary does business.
- 22.8 Proxy Statement and Notice of 2012 Annual Shareholder Meeting filed August 23, 2012.
- 31.1⁸ Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
- 31.2⁸ Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
- 32.1⁸ Certification of Chief Executive Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350
- 32.2⁸ Certification of Chief Financial Officer Pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350
- 100⁸ XBRL-Related Documents.

Footnotes to Exhibits:

- ¹ Incorporated by reference to our Proxy Statement and Notice of 2005 Annual Shareholder Meeting filed with the Commission October 7, 2005.
- ² Incorporated by reference to the Proxy Statement and Notice of 2008 Annual Shareholder Meeting filed with the Commission July 3, 2008.
- ³ Incorporated by reference to the Form S-3 filed with the Commission on August 17, 2009.
- ⁴ Incorporated by reference to our Report on Form 10-K filed with the Commission on March 31, 2011.
- ⁵ Incorporated by reference to our Report on Form 10-K filed with the Commission on March 26, 2012.
- ⁶ Incorporated by reference to our Report on Form 8-K filed with the Commission on January 18, 2013.
- ⁷ Incorporated by reference to our Report on Form 8-K filed with the Commission on February 14, 2013.
- ⁸ Filed herewith.

Reports on Form 8-K.

The following documents that we filed with the SEC are incorporated herein by reference:

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form PRE 14A

- (a) A report on Form 8-K filed on January 5, 2012 reporting Regulation FD Disclosure.
- (b) A report on Form 8-K filed on January 12, 2012 reporting entry into a material definitive agreement to sell a portion of the company's patent portfolio.
- (c) A report on Form 8-K filed on January 24, 2012 reporting Regulation FD Disclosure.
- (d) A report on Form 8-K filed on February 17, 2012 reporting the effective date of the company's common stock reverse split, "up-listing" to The Nasdaq Stock Market under the trading symbol "CUI" and the Form S-1 registration statement.
- (e) A report on Form 8-K was filed on January 18, 2018, 2013 reporting material definitive agreements pursuant to 17 C.F.R. § 229.601 (Item 601) Exhibits.

65

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CUI Global, Inc.

Name	Title	Date
/s/ William J. Clough William J. Clough	CEO/President/Director	February 19, 2013
/s/ Daniel N. Ford Daniel N. Ford	CFO/ Principal Accounting Officer	February 19, 2013
/s/ Sean P. Rooney Sean P. Rooney	Audit Committee/Director	February 19, 2013

CUI Global, Inc.

Consolidated Financial Statements

December 31, 2012 and 2011

67

CUI Global, Inc.

Contents

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Comprehensive Income and Loss	F-5
Consolidated Statements of Changes in Stockholders' Equity	F-6 – F-7
Consolidated Statements of Cash Flows	F-8 – F-9
Notes to Consolidated Financial Statements	F-10

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of:

CUI Global, Inc.

We have audited the accompanying consolidated balance sheets of CUI Global, Inc. (the “Company”) as of December 31, 2012 and 2011, and the related statements of operations and comprehensive income and loss, stockholders’ equity, and cash flows for the years ended December 31, 2012 and 2011. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of CUI Global, Inc. as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in conformity with accounting principles generally accepted in the United States of America.

LIGGETT, VOGT & WEBB, P.A.

Certified Public Accountants

Boynton Beach, Florida

February 19, 2013

CUI Global, Inc.**Consolidated Balance Sheets****For the Years Ended December 31, 2012 and 2011**

	December 31, 2012	December 31, 2011
Assets:		
Current Assets:		
Cash and cash equivalents	\$3,039,840	\$ 176,775
Trade accounts receivable, net of allowance of \$130,000 and \$125,000, respectively	4,965,926	3,694,641
Inventories, net of allowance of \$250,000 and \$240,000, respectively	4,843,905	3,563,111
Prepaid expenses and other	378,885	683,101
Total current assets	13,228,556	8,117,628
Property and equipment, net	1,016,219	910,810
Other assets:		
Investment - equity method	258,244	198,621
Other Intangible assets, net	8,618,524	8,967,041
Deposits and other	11,360	92,216
Notes receivable, net	501,422	529,706
Debt offering costs, net	42,778	116,111
Goodwill	13,046,358	13,046,358
Total other assets	22,478,686	22,950,053
Total assets	\$36,723,461	\$31,978,491
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	\$2,496,881	\$2,114,029
Preferred stock dividends payable	-	5,054
Line of credit	459,448	1,528,900
Accrued expenses	1,142,839	1,197,395
Accrued compensation	186,636	126,672
Unearned revenue	371,541	70,755
Note payable, current portion due	-	4,000,000
Convertible note payable, related party, current portion due	-	35,000
Total current liabilities	4,657,345	9,077,805
Long term note payable, related party, net of current portion due	7,303,683	10,303,683
Total long term liabilities	7,303,683	10,303,683
Total liabilities	11,961,028	19,381,488
Commitments and contingencies		

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form PRE 14A

Stockholders' equity:

Preferred stock, par value \$0.001; 0 and 10,000,000 shares authorized at December 31, 2012 and 2011, respectively	-	-
Convertible Series A preferred stock, 0 and 5,000,000 shares authorized, 0 and 50,543 shares issued and outstanding liquidation preference of \$0 and \$50,543 at December 31, 2012 and December 31, 2011, respectively	-	51
Convertible Series B preferred stock, 0 and 30,000 shares authorized, and no shares outstanding at December 31, 2012 and December 31, 2011, respectively	-	-
Convertible Series C preferred stock, 0 and 10,000 shares authorized, and no shares outstanding at December 31, 2012 and December 31, 2011, respectively	-	-
Common stock, par value \$0.001; 325,000,000 and 325,000,000 shares authorized and 10,883,280 and 7,134,856 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	10,883	7,315
Additional paid-in capital	100,947,708	86,217,169
Accumulated deficit	(76,171,822)	(73,645,501)
Accumulated other comprehensive gain (loss)	(24,336)	17,969
Total stockholders' equity	24,762,433	12,597,003
Total liabilities and stockholders' equity	\$36,723,461	\$31,978,491

See accompanying notes to financial statements

CUI Global, Inc.**Consolidated Statements of Operations****For the Years Ended December 31, 2012 and 2011**

	2012	2011
Revenues:		
Product Sales	\$41,031,050	\$38,877,698
Revenue from freight	53,539	60,628
Total revenue	41,084,589	38,938,326
Cost of revenues	25,707,893	24,133,073
Gross profit	15,376,696	14,805,253
Operating expenses		
Selling, general and administrative	16,221,373	13,347,853
Research and development	791,332	716,321
Bad debt	65,763	82,192
Impairment of intangible, trademark and trade name V-Infinity	278,428	-
Total operating expenses	17,356,896	14,146,366
Income (loss) from continuing operations	(1,980,200)	658,887
Other income (expense)		
Other income	95,069	53,657
Other expense	(18,567)	(38,678)
Gain on sale of technology rights	-	143,636
Earnings from equity investment	59,623	41,472
Interest expense - amortization of debt offering costs and debt discount	(73,333)	(334,747)
Interest expense	(575,199)	(918,189)
Total other income (expense), net	(512,407)	(1,052,849)
Loss from continuing operations before taxes	(2,492,607)	(393,962)
Provision for taxes	33,714	29,810
Consolidated loss from continuing operations	(2,526,321)	(423,772)
Income (loss) from discontinued operations		
(Loss) from discontinued operations	-	(160,153)
Gain on divestment of Comex Electronics	-	603,034
Net income from discontinued operations	-	442,881
Consolidated Net income (loss)	(2,526,321)	19,109
Less: Net income from discontinued operations - noncontrolling interest	-	67,872
Net (loss) allocable to common stockholders	\$(2,526,321)	\$(48,763)
Basic and diluted (loss) per common share from continuing operations	\$(0.25)	\$(0.06)

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form PRE 14A

Basic and diluted income per common share from discontinued operations - attributable to CUI Global, Inc.	\$-	\$0.05
Basic and diluted (loss) per common share	\$(0.25)	\$(0.01)
Basic weighted average common and common equivalents shares outstanding	10,175,989	7,249,180

See accompanying notes to financial statements

F-4

CUI Global, Inc.

Consolidated Statements of Comprehensive Income and Loss

For the Years Ended December 31, 2012 and 2011

	2012	2011
Net (loss) allocable to common stockholders	\$(2,526,321)	\$(48,763)
Other comprehensive income (loss)		
Foreign currency translation adjustment	\$(42,305)	\$68,779
Comprehensive income (loss)	\$(2,568,626)	\$20,016

See accompanying notes to financial statements

F-5

CUI Global, Inc.**Consolidated Statements of Changes in Stockholders' Equity****For the Years Ended December 31, 2012 and 2011**

	Series A Preferred Stock and		Series B Preferred Stock		Series C Preferred Stock		Common Stock and	
	Preferred Stock Issuable		Preferred Stock		Preferred Stock		Common Stock Issuable	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance, December 31, 2010	50,543	\$ 51	-	\$ -	-	\$ -	7,136,523	\$7,137
Warrants and options granted for services and compensation	-	-	-	-	-	-	-	-
Common stock issued for options and warrants exercised in exchange for cash and accrued compensation	-	-	-	-	-	-	166,936	167
Common stock issued for services and compensation	-	-	-	-	-	-	10,957	11
Fractional Shares that were Rounded Up as a Result of the Reverse-Split	-	-	-	-	-	-	97	-
Noncontrolling interest divestment of Comex Electronics Ltd.	-	-	-	-	-	-	-	-
Net loss for the year ended December 31, 2011	-	-	-	-	-	-	-	-
Less Non-controlling interest	-	-	-	-	-	-	-	-
Other comprehensive gain	-	-	-	-	-	-	-	-
Balance, December 31, 2011	50,543	\$ 51	-	\$ -	-	\$ -	7,314,513	\$7,315
Warrants and options granted for services and compensation	-	-	-	-	-	-	-	-
Common stock issued for options and warrants exercised in exchange for cash and accrued compensation	-	-	-	-	-	-	10,071	10
Common stock issued for the conversion of Preferred Stock and accrued preferred stock dividends	(50,543)	(51)	-	-	-	-	9,661	9
Issuance of common stock	-	-	-	-	-	-	3,359,887	3,360
Common stock issued for services and compensation	-	-	-	-	-	-	188,096	188
Common stock issued for royalties	-	-	-	-	-	-	1,052	1
Fractional Shares that were Rounded Up as a Result of the	-	-	-	-	-	-	-	-

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form PRE 14A

Reverse-Split

Net loss for the year ended December 31, 2012	-	-	-	-	-	-	-	-
Other comprehensive (loss)	-	-	-	-	-	-	-	-
Balance, December 31, 2012	-	\$ -	-	\$ -	-	\$ -	10,883,280	\$ 10,883

F-6

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form PRE 14A

	Additional	Subscriptions	Accumulated	Noncontrolling	Accumulated	Total
	Paid-in	Receivable	Deficit	Interest	Other	Stockholders'
	capital				Comprehensive	Equity
					Income (Loss)	(Deficit)
Balance, December 31, 2010	\$ 85,939,480	\$ -	\$(73,596,738)	\$(346,344)	\$(50,810)	\$ 11,952,776
Warrants and options granted for services and compensation	166,367	-	-	-	-	166,367
Common stock issued for options and warrants exercised in exchange for cash and accrued compensation	49,833	-	-	-	-	50,000
Common stock issued for services and compensation	61,489	-	-	-	-	61,500
Fractional Shares that were Rounded Up as a Result of the Reverse-Split	-	-	-	-	-	-
Noncontrolling interest divestment of Comex Electronics Ltd.	-	-	-	278,472	-	278,472
Net loss for the year ended December 31, 2011	-	-	(48,763)	-	-	(48,763)
Less Non-controlling interest	-	-	-	67,872	-	67,872
Other comprehensive gain	-	-	-	-	68,779	68,779
Balance, December 31, 2011	\$ 86,217,169	\$ -	\$(73,645,501)	\$ -	\$ 17,969	\$ 12,597,003
Warrants and options granted for services and compensation	232,785	-	-	-	-	232,785
Common stock issued for options and warrants exercised in exchange for cash and accrued compensation	3,011	-	-	-	-	3,021
Common stock issued for the conversion of Preferred Stock and accrued preferred stock dividends	5,095	-	-	-	-	5,053
Issuance of common stock	13,525,903	-	-	-	-	13,529,263
Common stock issued for services and compensation	957,108	-	-	-	-	957,296
Common stock issued for royalties	6,637	-	-	-	-	6,638
	-	-	-	-	-	-

Fractional Shares that were
Rounded Up as a Result of
the Reverse-Split

Net loss for the year ended December 31, 2012	-	-	(2,526,321)	-	-	(2,526,321)
Other comprehensive (loss)	-	-	-	-	(42,305)	(42,305)
Balance, December 31, 2012	\$ 100,947,708	\$ -	\$(76,171,822)	\$ -	\$ (24,336)	\$ 24,762,433

See accompanying notes to financial statements

F-7

CUI Global, Inc.**Consolidated Statements of Cash Flows****For the Years Ended December 31, 2012 and 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) - attributable to common stockholders	\$(2,526,321)	\$(48,763)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:		
Stock based compensation	1,190,081	227,867
Non-cash interest expense, including amortization of beneficial conversion value, warrant related debt discounts and intrinsic value of convertible debt and amortization of debt discount and amortization of debt offering costs	73,333	334,747
Earnings in equity investment	(59,623)	(41,472)
Bad debt expense	65,763	82,192
Amortization of technology rights	26,510	245,144
Amortization of patent costs	664	333
Amortization of website development	13,718	4,328
Amortization of intangible, trademark and trade name V-Infinity	109,540	-
Impairment of intangible, trademark and trade name V-Infinity	278,428	-
Inventory reserve	10,000	75,995
Gain on sale of technology rights	-	(143,636)
Loss on disposal of assets	-	1,563
Net income - noncontrolling interest in discontinued operations	-	67,872
Depreciation	579,861	520,959
(Increase) decrease in assets:		
Trade accounts receivable	(1,337,048)	107,902
Inventory	(1,290,794)	96,535
Prepaid expenses and other current assets	285,690	(335,302)
Deposits and other assets	80,856	(29,001)
Increase (decrease) in liabilities:		
Accounts payable	382,852	356,347
Accrued expenses	(47,919)	(391,289)
Accrued compensation	59,964	(272,341)
Unearned revenue	300,786	725
NET CASH PROVIDED BY (USED IN) CONTINUING OPERATING ACTIVITIES	(1,803,659)	860,705
NET CASH PROVIDED BY DISCONTINUED OPERATING ACTIVITIES	-	22,141
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in patents	-	(6,646)
Investment in other intangible assets, net	(80,343)	(37,418)
Proceeds from Notes receivable	46,808	63,506
Proceeds from sales of technology rights	-	425,000
Purchase of property and equipment	(685,269)	(422,970)
NET CASH PROVIDED BY (USED IN) CONTINUING INVESTING ACTIVITIES	(718,804)	21,472
NET CASH PROVIDED BY DISCONTINUED INVESTING ACTIVITIES	-	195,278

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form PRE 14A

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments to demand notes payable, net of proceeds	(1,069,452)	(20,879)
Payments to notes and loans payable, net of proceeds	(4,000,000)	(481,326)
Proceeds from (payments to) convertible notes payable, related party	(35,000)	35,000
Payments on notes and loans payable, related party	(3,000,000)	(300,000)
Proceeds from sales of common stock, and exercise of warrants and options, net of offering costs	13,532,285	50,000
NET CASH PROVIDED BY (USED IN) CONTINUING FINANCING ACTIVITIES	5,427,833	(717,205)
NET CASH (USED IN) DISCONTINUED FINANCING ACTIVITIES	-	(648,218)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(42,305)	68,779
Cash and cash equivalents at beginning of year	176,775	373,823
Cash and cash equivalents at end of period	3,039,840	176,775
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$2,863,065	\$(197,048)

(continued)

F-8

	For the years ended December 31,	
	2012	2011
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ 72,630	\$ 39,264
Interest paid	\$ 597,814	\$ 917,216
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Amortization of debt offering costs	\$ 73,333	\$ 334,747
Royalties paid in common stock	\$ 6,638	\$ -
Conversion of accrued liabilities to common stock	\$ 5,054	\$ -
Conversion of preferred stock to common stock	\$ 51	\$ -
Common stock issued for consulting services and compensation and accrued liabilities payable in common stock	\$ 957,295	\$ 61,500

See accompanying notes to financial statements

CUI Global, Inc.

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

CUI Global Inc. ("the Company") is a platform company dedicated to maximizing shareholder value through the acquisition, development and commercialization of new, innovative technologies. Through its subsidiaries, CUI Global has built a diversified portfolio of industry leading technologies that touch many markets.

CUI defines its products into three categories: electronic components including connectors, speakers, buzzers and control solutions including encoders and sensors; power solutions and test and measurement including the Vergence GasPT2 . These offerings provide a technology architecture that addresses power and related accessories as well as test and measurement capabilities to industries ranging from consumer electronics to defense and alternative energy.

In July 2009 CUI Global acquired, as a wholly owned subsidiary, Comex Instruments, Ltd., now known as CUI Japan and 49% of Comex Electronics, Ltd. Both companies are Japanese based providers of electronic components. Effective July 1, 2011, CUI Global entered into an agreement to convey its 49% ownership interest in Comex Electronics to the owners of the remaining 51% who are the original founders and were the original owners of Comex Instruments, for \$617,975 in the form of a five year note receivable bearing interest at 4% per annum. The operations of CUI Japan are not affected by this divestment.

F-10

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in 2012 and 2011 include estimates used to review the Company's long-lived assets for impairment, allowances for uncollectible accounts, inventory valuation, valuations of non-cash capital stock issuances and the valuation allowance on deferred tax assets.

Principles of Consolidation

The consolidated financial statements for 2012 include the accounts of CUI Global, Inc. and its wholly owned subsidiaries CUI, Inc. and CUI Japan. The consolidated financial statements for 2011 include the accounts of CUI Global, Inc. and its wholly owned subsidiaries CUI, Inc. and CUI Japan and the discontinued operations of Comex Electronics through June 30, 2011. Significant intercompany accounts and transactions have been eliminated in consolidation.

Fair Value of Financial Instruments

FASB Accounting Standards Codification No. 825 ("FASB ASC 825"), "Financial Instruments", requires disclosures of information about the fair value of certain financial instruments for which it is practicable to estimate that value. For purposes of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Management believes the carrying amounts of the short-term financial instruments, including cash and cash equivalents, accounts receivable, restricted cash, prepaid expense and other assets, accounts payable, accrued liabilities, notes payable, deferred compensation and other liabilities reflected in the accompanying balance sheet approximate fair value at December 31, 2012 and 2011 due to the relatively short-term nature of these instruments. As of December 31, 2012 and 2011, the Company does not have financial assets or liabilities that are measured at fair value on a recurring basis.

Cash and Cash Equivalents

Cash includes deposits at financial institutions with maturities of three months or less. The Company at times has cash in banks in excess of FDIC insurance limits and places its temporary cash investments with high credit quality financial institutions. At December 31, 2012 and 2011, the Company had \$2,724,922 and \$0 balances at financial institutions which were in excess of the FDIC insured limits. However, at December 31, 2012 the Company held \$64,497 in Japanese foreign bank accounts and \$421 in European foreign bank accounts. At December 31, 2011 the

Company held \$71,995 in Japanese foreign bank accounts and \$62,664 in European foreign bank accounts.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable consist of the receivables associated with the revenue derived from product sales. An allowance for uncollectible accounts is recorded to allow for any amounts that may not be recoverable, based on an analysis of prior collection experience, customer credit worthiness and current economic trends. Based on management's review of accounts receivable, an allowance for doubtful accounts of \$130,000 and \$125,000 was recorded at December 31, 2012 and 2011, respectively. The reserve in both periods takes into account aged receivables that management believes should be specifically reserved for as well as historic experience with bad debts to determine the total reserve appropriate for each period. Receivables are determined to be past due based on the payment terms of original invoices. The Company grants credit to its customers, with standard terms of Net 30 days. The Company routinely assesses the financial strength of its customers and, therefore, believes that its accounts receivable credit risk exposure is limited. Additionally, the Company maintains a foreign credit receivables insurance policy that covers many of its receivable balances in effort to further reduce credit risk exposure.

Inventory

Inventories consist of finished and un-finished products and are stated at the lower of cost or market; using the first-in, first-out (FIFO) method as a cost flow convention. At December 31, 2012 and 2011 inventory is valued, net of allowances, at \$4,843,905 and \$3,563,111, respectively. The allowances for inventory were \$250,000 and \$240,000 at December 31, 2012 and 2011, respectively. At December 31, 2012, CUI had finished goods of \$4,675,032, raw materials of \$365,242, and work in process of \$53,631.

Furniture, Equipment and Software

Furniture, equipment and software are recorded at cost and include major expenditures, which increase productivity or substantially increase useful lives.

Maintenance, repairs and minor replacements are charged to expenses when incurred. When furniture and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed from this account, and any gain or loss is included in the statement of operations.

The cost of furniture, equipment and software is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purposes. The estimated useful lives and accumulated depreciation for furniture, equipment and software are as follows:

	Estimated Useful Life
Furniture and equipment	3 to 7 years
Software	3 to 5 years

Long-Lived Assets

Long-lived assets and certain identifiable assets related to those assets are periodically reviewed for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recoverable. In performing the review for recoverability, the future cash flows expected to result from the use of the asset and its eventual disposition are estimated. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized as the excess of the carrying amount over the fair value. Otherwise, an impairment loss is not recognized. Management estimates the fair value and the estimated future cash flows expected. Any changes in these estimates could impact whether there was impairment and the amount of the impairment. There were \$278,428 and \$0 of impairment expenses recorded by the Company in 2012 and 2011.

Identifiable Intangible Assets

Intangible assets are stated at cost net of accumulated amortization and impairment. The fair value for intangible assets acquired through acquisitions is measured at the time of acquisition utilizing the following inputs, as needed:

F-12

1. Inputs used to measure fair value are unadjusted quote prices available in active markets for the identical assets or liabilities if available.
Inputs used to measure fair value, other than quoted prices included in 1, are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in inactive markets. This includes assets and liabilities valued using
2. models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data from actively quoted markets for substantially the full life of the asset.
Inputs used to measure fair value are unobservable inputs supported by little or no market activity and reflect the use
3. of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.
4. Expert appraisal and fair value measurement as completed by third party experts.

Intangible assets with a determinable finite life, other than goodwill, including technology rights and patents are amortized over an estimated useful life of 15 years or their estimated useful life if less than 15 years. Technology rights are amortized over a twenty year life and are reviewed for impairment annually. Patent costs are amortized over the life of the patent. Any patents not approved will be expensed at that time. Intangible assets are reviewed for impairment annually during the second quarter and whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recoverable. Through this review of all known events and circumstances, management concluded that an impairment charge of \$278,428 was necessary regarding the Intangible, trademark and trade name V-Infinity during 2012. The analysis completed in 2012 determined that there was no other impairment necessary during 2012 to other intangible assets.

Goodwill Assets

As detailed in ASC 350 Intangibles-Goodwill and Other subsection 20, the Company tests for goodwill impairment in the second quarter of each year and whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable.

As detailed in ASC 350-20-35-3A, in performing its testing for goodwill impairment, management has completed a qualitative analysis to determine whether it was more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. To complete this review, management followed the steps in ASC 350-20-35-3C to evaluate the fair values of goodwill and considered all known events and circumstances that might trigger an impairment of goodwill. The analysis completed in both 2012 and 2011, determined that there was no impairment necessary to goodwill assets. Through the reviews completed in 2012 and 2011, management concluded that there were no events or circumstances that triggered an impairment (and there was no expectation that a reporting unit or a significant portion of a reporting unit would be sold or otherwise disposed of in the following year), therefore, no further analysis was necessary to prepare for goodwill impairment beyond the steps in 350-20-35-3C in accordance with ASU 2011-08.

CUI Global has adopted ASU 2011-08, which simplifies how an entity is required to test goodwill for impairment. The ASU allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under this ASU, CUI is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The ASU includes a number of factors to consider in conducting the qualitative assessment. We adopted ASU 2011-08 during the year ended December 31, 2012. The adoption of ASU 2011-08 did not have an impact on our consolidated financial statements.

F-14

Investment – Equity Method

Through the acquisition of CUI, Inc. the Company obtained 352,589 common shares (representing a 11.54% interest at December 31, 2012 and 2011, respectively) in Test Products International, Inc., hereafter referred to as TPI. TPI is a provider of handheld test and measurement equipment. CUI Global enjoys a close association with this affiliate through common Board of Director membership and participation, that allows for a significant amount of influence over affiliate business decisions. Accordingly, for financial statement purposes, the Company accounts for its investment in this affiliated entity under the equity method. A summary of the unaudited financial statements of the affiliate for the years ended December 31, 2012 and 2011 are as follows:

F-15

	2012	2011
Current assets	\$6,509,736	\$5,532,030
Non-current assets	540,518	577,335
Total Assets	\$7,050,254	\$6,109,365
Current liabilities	\$3,272,360	\$2,696,409
Non-current liabilities	1,203,826	1,355,370
Stockholders' equity	2,574,068	2,057,586
Total Liabilities and Stockholders' Equity	\$7,050,254	\$6,109,365
Revenues	\$12,538,711	\$12,280,892
Operating income	757,484	598,691
Net profit	516,482	359,254
Company share of Net Profit at 11.54%	59,623	41,472
Equity investment in affiliate	\$258,244	\$198,621

F-16

Stock-Based Compensation

The Company accounts for stock based compensation using FASB Accounting Standards Codification No. 718 (“FASB ASC 718”), “Compensation – Stock Compensation”. FASB Codification No. 718 requires the fair value of all stock-based employee compensation awarded to employees to be recorded as an expense over the related vesting period. The statement also requires the recognition of compensation expense for the fair value of any unvested stock option awards outstanding at the date of adoption. Employee stock compensation is recorded at fair value using the Black Scholes Pricing Model. The underlying assumptions used in the Black Scholes Pricing Model by the Company are taken from publicly available sources including, volatility is calculated using historic stock price information from online finance websites such as Google Finance and Yahoo Finance, the stock price on the date of grant is obtained from online finance websites such as those previously noted, appropriate discount rates are obtained from the United States Federal Reserve economic research and data website and other inputs are determined based on previous experience and related estimates.

See Note 13 STOCK-BASED EMPLOYEE COMPENSATION for additional disclosure and discussion of the employee stock plan and activity.

Common stock, stock options and common stock warrants issued to other than employees or directors are recorded on the basis of their fair value, as required by FASB ASC 505, which is measured as of the date required by FASB ASC 505, “Equity – Based Payments to Non-Employees”. In accordance with FASB ASC 505, the stock options or common stock warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying common stock on the “valuation date,” which for options and warrants related to contracts that have substantial disincentives to non-performance is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. Where expense must be recognized prior to a valuation date, the expense is computed under the Black-Scholes option pricing model on the basis of the market price of the underlying common stock at the end of the period, and any subsequent changes in the market price of the underlying common stock up through the valuation date is reflected in the expense recorded in the subsequent period in which that change occurs.

Revenue Recognition

The recognition of revenues requires judgment, including whether a sale includes multiple elements, and if so, whether vendor-specific objective evidence (VSOE) of fair value exists for those elements. Customers receive certain elements of CUI Global products over a period of time. These elements include licensing rights to manufacture and sell our proprietary patent protected products. The ability to identify VSOE for those elements and the fair value of the respective elements could materially impact the amount of earned and unearned revenue. CUI Global does not have any history as to the costs expected to be incurred in granting licensing rights relating to its products. Therefore, revenues may be recorded that are not in proportion to the costs expected to be incurred in performing these services.

Revenues from warranty and maintenance activities are recognized ratably over the term of the warranty and maintenance period and the unrecognized portion is recorded as deferred revenue.

Revenues in connection with electronic devices, component, and test and measurement equipment are recognized at the time the product is shipped to the customer, collectability is reasonably assumed, the price is fixed and determinable and persuasive evidence of arrangement exists.

Shipping and Handling Costs

Amounts billed to customers in sales transactions related to shipping and handling represent revenues earned for the goods provided and are included in sales, and were \$53,539 and \$60,628 for the years ended December 31, 2012 and 2011, respectively. The Company expenses inbound shipping and handling costs as cost of revenues.

Warranty Reserves

A warranty reserve liability is recorded based on estimates of future costs on sales recognized. There was no warranty reserve recorded at December 31, 2012 or 2011.

Advertising

The costs incurred for producing and communicating advertising are charged to operations as incurred. Advertising expense for the years ended December 31, 2012 and 2011 was \$872,250 and \$837,584, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method of FASB Accounting Standards Codification No. 740 ("FASB ASC 740"), "Income Taxes". Under FASB ASC 740, 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. 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 as income in the period that includes the enactment date.

Valuation allowances have been established against deferred tax assets due to uncertainties in the Company's ability to generate sufficient taxable income in future periods to make realization of such assets more likely than not. An income tax benefit has not been recognized for its operating losses generated during 2012 and 2011 based on uncertainties

concerning the ability to generate taxable income in future periods. There was no income tax receivable at December 31, 2012 and 2011. In future periods, tax benefits and related deferred tax assets will be recognized when management considers realization of such amounts to be more likely than not.

The Company's Federal and State tax returns for the years 2007-2012 remain open to examination by the tax authorities.

F-18

Net Loss Per Share

In accordance with FASB Accounting Standards Codification No. 260 (“FASB ASC 260”), “Earnings Per Share”, basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares outstanding as of December 31, 2012 and 2011, which consist of options, warrants, convertible notes and convertible preferred stock, have been excluded from the diluted net loss per common share calculations because they are anti-dilutive. Accordingly, diluted net loss per share is the same as basic net loss per share for 2012 and 2011. The following table summarizes the potential common stock shares at December 31, 2012 and 2011, which may dilute future earnings per share.

	2012	2011
Convertible preferred stock	-	9,266
Warrants and options, vested	262,952	211,861
Convertible debt	-	6,863
	262,952	227,990

Foreign Currency Translation

The financial statements of the Company's foreign offices have been translated into U.S. dollars in accordance with FASB ASC 830, “Foreign Currency Matters” (FASB ASC 830). All balance sheet accounts have been translated using the exchange rate in effect at the balance sheet date. Income statement amounts have been translated using an appropriately weighted average exchange rate for the year. The translation gains and losses resulting from the changes in exchange rates during 2012 and 2011 have been reported in accumulated other comprehensive income, except for gains and losses resulting from the translation of intercompany receivables and payables, which are included in earnings for the period.

Segment Reporting

For the year ended December 31, 2012 and 2011, the Company operates in one operating segment based on the activities of the company in accordance with the ASC 280-10. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company does not disaggregate profit and loss information on a segment basis for internal management reporting purposes to our chief operating decision maker group which consists of our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, and therefore such information is not presented.

The 10-K filing for the year ended 2011 presented five operating segments based on the products offered, which included: External Power, Internal Power, Industrial Controls, Discontinued Operations and Other. Management determined that presenting these as a consolidated segment is the best presentation as the business activities of CUI

Global are not organized on the basis of differences related to products, services or geography. The Company's chief operating decision maker looks at the operations as a whole when making operating decisions and allocating resources.

F-19

Reclassification

Certain amounts from the prior period have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

In June, 2011, the FASB issued ASU No. 2011-05, which amends ASC Topic 220, Comprehensive Income. Under the amendment, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this ASU have been applied retrospectively.

In December 2011, FASB issued Accounting Standards Update 2011-11, Balance Sheet - Disclosures about Offsetting Assets and Liabilities” to enhance disclosure requirements relating to the offsetting of assets and liabilities on an entity's balance sheet. The update requires enhanced disclosures regarding assets and liabilities that are presented net or gross in the statement of financial position when the right of offset exists, or that are subject to an enforceable master netting arrangement. The new disclosure requirements relating to this update are retrospective and effective for annual and interim periods beginning on or after January 1, 2013. The update only requires additional disclosures, as such, the adoption of this standard did not have a material impact on our results of operations, cash flows or financial condition.

In July 2012, the FASB issued updated guidance on the periodic testing of indefinite-lived intangible assets, other than goodwill, for impairment. This updated guidance will allow companies the option to first assess qualitative factors to determine if it is more-likely-than-not that an indefinite-lived intangible asset might be impaired and whether it is necessary to perform the quantitative impairment test required under current accounting standards. This guidance is applicable for reporting periods beginning after September 15, 2012. This updated guidance did not have a material impact on our results of operations, cash flows or financial condition.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment is summarized as follows at December 31, 2012 and 2011:

	2012	2011
Building	\$-	\$-
Equipment	2,577,681	2,193,817
Computers and software	883,408	778,985
	3,461,089	2,972,802
Less accumulated depreciation	(2,444,870)	(2,061,992)
	\$1,016,219	\$910,810

Depreciation expense for the years ended December 31, 2012 and 2011 was \$579,861 and \$520,959, respectively.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

At December 31, 2012, the gross carrying amount and accumulated amortization of intangible assets, other than goodwill, are as follows:

	Gross Assets	Accumulated Amortization	Net
Trademarks and tradename	\$5,988,256	\$ (109,540)	\$5,878,716
Customer lists	1,857,000	-	1,857,000
Technology rights	303,664	(77,779)	225,885
Technology – patent pending	551,559	-	551,559
Other intangibles assets	154,470	(49,106)	105,364
Total	\$8,854,949	(236,425)	\$8,618,524

At December 31, 2011, the gross carrying amount and accumulated amortization of intangible assets, other than goodwill, are as follows:

	Gross Assets	Accumulated Amortization	Net
Trademarks and tradename	\$6,266,684	\$ -	\$6,266,684
Customer lists	1,857,000	-	1,857,000
Technology rights	303,664	(51,269)	252,395
Technology – patent pending	551,559	-	551,559
Other intangibles assets	74,127	(34,724)	39,403
Total	\$9,053,034	\$ (85,993)	\$8,967,041

Amortization expenses from continuing operations for the years ended December 31, 2012 and 2011 amounted to approximately \$150,432 and \$258,805, respectively.

As of December 31, 2012 and 2011, the carrying amount of goodwill was \$13,048,474. The estimated fair value of our goodwill could change if the Company is unable to achieve operating results at the levels that have been forecasted, the market valuation of our business decreases based on transactions involving similar companies, or there is a permanent, negative change in the market demand for the services offered by the Company. These changes could result in an impairment of the existing goodwill balance that could require a material non-cash charge to our results of operations.

Trademarks and tradename

As of December 31, 2012, \$4,892,856 of costs related to CUI and \$1,095,400 of costs related to the V-Infinity trademarks and trade names have been capitalized. The Intangible, trademark and trade name CUI was determined to have an indefinite life and is reviewed regularly for impairment by management, which includes an annual test for impairment. During 2012, management determined that an impairment of \$278,428 related to the Intangible, trademark and trade name V-Infinity was necessary. As a result of this evaluation and the impairment, management determined the trademark and trade name V-Infinity no longer has an indefinite life, and will instead be amortized over the estimated remaining useful life of 5 years.

Customer lists

As of December 31, 2012, CUI Global has \$1,857,000 of capitalized costs related to Intangible, customer list. Intangible, customer list is reviewed regularly for impairment by management. The customer lists were determined to have an indefinite life and are not amortized but tested annually for impairment. Among other factors, this review includes consideration of the revenues and related cash flows associated with customers that existed at the time of the acquisition of the Intangible, customer list. This review determined that the total net revenues and related cash flows associated with customers that existed at the time of the acquisition of the intangible, customer list have increased as compared with their pre-acquisition comparable revenues and maintains a back log of customer orders indicating that this will continue based on historical company experience.

Technology rights

As of December 31, 2012, CUI Global has \$303,664 of capitalized costs related to technology rights. Technology rights are amortized over a twenty year life. In an effort to concentrate our business focus on our core product development and marketing, in December 2011, we conveyed our WayCool and WayFast patent portfolio to Olantra Fund X LLC for a cash payment of \$500,000 and recognized a gain on sale of technology rights in 2011 of \$143,636.

Technology – patents pending

As of December 31, 2012, CUI Global has \$551,559 of capitalized costs related to Intangible, patent pending technology. Intangible, patent pending technology is reviewed regularly for impairment by management.

Debt Offering Costs

As of December 31, 2012, \$220,000 of debt offering costs related to payments issued in efforts to secure debt financing for the Company have been capitalized. The debt offering costs are amortized over the life of the applicable loan. The net balance of debt offering costs as of December 31, 2012 is \$42,778.

5.

NOTES PAYABLE

Notes payable is summarized as follows at December 31, 2012 and 2011:

	December 31,	
	2012	2011
(a) Term Note - bank	\$-	\$4,000,000
(b) Acquisition Note Payable	7,303,683	10,303,683
(c) Convertible Note Payable - related party	-	35,000

(a) In August 2010, the Company replaced the \$4,000,000 cash loan from Commerce Bank of Oregon with a \$4,000,000 term note through the Business Credit division of Wells Fargo Capital Finance, Wells Fargo Bank, National Association, with a July 31, 2012 maturity date, paying interest only at an interest rate equal to the daily three month LIBOR plus 4.00% and secured by personal letters of credit from a related party. In February 2012, the Company utilized \$4,000,000 from the 2012 equity raises to repay the principal balance in full. The balance remaining at December 31, 2012 and 2011 on the term note with Wells Fargo was \$0 and \$4,000,000, respectively.

(b) A promissory note utilized to fund the acquisition of CUI, Inc. was a \$14,000,000 promissory note to International Electronic Devices, Inc. (formerly CUI, Inc.), payable monthly over three years at \$30,000 per month including 1.7% annual simple interest with a balloon payment at the thirty sixth monthly payment (May 15, 2011), with no prepayment penalty, an annual success fee of 2.3%, and the right of first refusal to the note payee, International Electronic Devices, Inc., relating to any private capital raising transactions of CUI Global during the term of the note. In September 2010, the Company negotiated an amendment to this note which provided forgiveness of the principal balance of \$1,588,063 and forgiveness of accrued interest of \$724,729, as well as an extension of the maturity date to May 15, 2018. The total forgiveness of debt and accrued interest of \$2,312,792 was recorded as additional paid in capital due to the related party nature. In exchange for this amendment, the Company agreed to make principal payments totaling \$1,500,000 as follows: \$1,200,000 before December 31, 2010 and an additional \$300,000 in January 2011. Additionally, the Company agreed to assign a note receivable owed to CUI Inc. from TPI in the amount of \$192,508 to IED during the first quarter of 2011. In February 2012, the Company utilized proceeds from the sale of equity to repay \$3,000,000 toward the principal balance of the IED note payable. At December 31, 2012, the current portion of this note is \$0, the long term balance is \$7,303,683.

(c) In July 2011, a CUI Global officer provided a short term convertible loan of \$35,000 to the Company with interest at 6% per annum, and convertible at \$5.10 per common share. The balance of this loan was paid in full during 2012 following the receipt of proceeds from the equity raise. The balance remaining at December 31, 2012 and 2011 was \$0 and \$35,000, respectively.

The following table details the maturity of the notes payable for CUI Global, Inc. as of December 31, 2012:

	2013	2014	2015	2016	2017	Thereafter	Total
Notes Payable Maturities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$7,303,683	\$7,303,683

6. LINE OF CREDIT

At December 31, 2012, CUI, Inc. had a \$4,000,000 revolving working capital line of credit with the Business Credit division of Wells Fargo Capital Finance, part of Wells Fargo Bank, National Association (NYSE: WFC), interest payable monthly at the daily three month LIBOR plus 3.25% (3.56% at December 31, 2012). At December 31, 2012 the current borrowing capacity under the credit facility was \$3,579,305 considering any current restrictions on the amount that could be borrowed (borrowings may be limited by the amount of trade receivables, inventory and other items), but without considering any amounts currently outstanding under the facility.

Effective April 3, 2012, the Wells Fargo Line of Credit expiration was extended to July 31, 2015 and the interest rate reduced to the Daily Three Month LIBOR plus 3.25%. At December 31, 2012 and 2011, the balance outstanding on the line of credit was \$459,448 and \$1,528,900, respectively. The Line of Credit is secured by all of the Company's accounts, documents, equipment, general intangibles, goods, instruments, inventory, investment property, letter-of-credit rights, letters of credit and all cash and cash equivalents.

F-23

7. **COMMITMENTS AND CONTINGENCIES**

Legal Matters

The Company may be involved in certain legal actions arising from the ordinary course of business. While it is not feasible to predict or determine the outcome of these matters, we do not anticipate that any of these matters, or these matters in the aggregate, will have a material adverse effect on the financial position or results of operations.

Commissions, Royalty and License Fee Agreements

Royalty and license fees are paid in accordance with their related agreements, either on a monthly or quarterly basis. As of December 31, 2012, \$32,303 was accrued for royalty and license fees payable, and is reported as a current liability in accrued expenses.

External Sales Representative Commissions

Commissions to external sales representatives are paid in accordance with their related agreements, either on a monthly or annual basis. As of December 31, 2012, \$236,366 was accrued for commissions to external sales representatives, and is reported as a current liability in accrued expenses.

Employment Agreements

As of the year ended December 31, 2012, the following employment agreements were in place:

Chief Executive Officer, General Counsel, Director: This employment agreement expires August 1, 2015. The CEO is eligible for annual bonuses and stock option grants. Said contract provides, in relevant part, for an annual salary of \$350,000 and bonus provisions for each calendar year. Bonuses are approved quarterly based on the various factors, including a thorough evaluation of current performance. All bonus payments shall be paid to Mr. Clough in equal monthly installments following the quarter in which the bonus is earned and shall be paid on the 15th day of each month. At December 31, 2012 and 2011, there was an accrual of \$53,542 and \$13,542, respectively, for compensation owed to Mr. Clough. In conjunction with Mr. Clough's contract extension, he also received a Board approved Stock Option Plan, which entitles him to receipt of a \$6.00 option to purchase 330,000 shares of the Company's common stock. Said options vest on a monthly basis during the course of Mr. Clough's employment term. Mr. Clough's employment agreement shall not be terminated by any change of control of CUI Global.

President, Chief Operating Officer, Director: This employment agreement expires May 15, 2014. The President is eligible for annual bonuses and stock option grants. Said contract provides, in relevant part, for an annual salary of \$205,000 and bonus provisions for each calendar year, beginning with 2008, in which the CUI Global yearend Statement of Operations shows a Net Profit and the Gross Revenue equal to or that exceeds fifteen percent (15%), but

less than thirty percent (30%), of the immediate preceding calendar year, he shall be entitled to receive a cash bonus in an amount equal to fifty percent (50%) of his prior year base salary in addition to any other compensation to which he may be entitled; provided, however, that he shall be entitled to the bonus only if he has been employed by the Company during that entire calendar year. In substitution of the bonus percentages described above, he shall be entitled to receive, in any year in which annual Gross Revenue exceeds by 30% of the prior calendar year gross revenue, a sum equal to 100% of his prior year base salary. Bonuses are approved quarterly based on the above factors and an evaluation of current performance. All such bonus payments shall be paid to Mr. McKenzie in equal monthly installments following the quarter in which the bonus is earned and shall be paid on the 15th day of each month. At December 31, 2012 and 2011 there was an accrual of \$8,542 and \$12,083, respectively, for compensation owed to Mr. McKenzie. Mr. McKenzie's employment agreement shall not be terminated by any change of control of CUI Global.

F-24

Chief Financial Officer: This employment agreement expires May 15, 2014. The CFO is eligible for annual bonuses and stock option grants. Mr. Ford is employed under a three year employment contract with the company, which was recently extended to May 15, 2014 and provides, in relevant part, for an annual salary of \$195,000 and bonus provisions for each calendar year, beginning with 2010, in which the CUI Global yearend Statement of Operations shows a Net Profit and the Gross Revenue equal to or that exceeds fifteen percent (15%), but less than thirty percent (30%), of the immediate preceding calendar year, he shall be entitled to receive a cash bonus in an amount equal to fifty percent (50%) of his prior year base salary in addition to any other compensation to which he may be entitled; provided, however, that he shall be entitled to the bonus only if he has been employed by the Company during that entire calendar year. In substitution of the bonus percentages described above, he shall be entitled to receive, in any year in which annual Gross Revenue exceeds by 30% of the prior calendar year gross revenue, a sum equal to 100% of his prior year base salary. Bonuses are approved quarterly based on the above factors and an evaluation of current performance. All such bonus payments shall be paid to Mr. Ford in equal monthly installments following the quarter in which the bonus is earned and shall be paid on the 15th day of each month. At December 31, 2012 and 2011 there was an accrual of \$8,125 and \$0, respectively, for compensation owed to Mr. Ford. Mr. Ford's employment agreement shall not be terminated by any change of control of CUI Global.

Leases

As an integrated part of the CUI asset acquisition, the CUI Global, Inc. corporate offices were relocated to the CUI location at 20050 SW 112th Avenue, Tualatin, Oregon 97062. CUI and CUI Global occupy the 61,380 square feet of offices and warehouse premises under a ten year non-cancelable lease agreement beginning September 1, 2006 with Barakel, LLC (a related party) at a base monthly rent subject to periodic base payment increases plus real property taxes, utilities, insurance and common area maintenance charges. During the year ended December 31, 2012, the monthly base rent was \$40,250 in accordance with the lease schedule. During the period January 1 through August 31, 2011, the monthly base rent was \$40,000 and increased in accordance with the lease schedule to \$40,250 for the period September 1 through December 31, 2011. Barakel, LLC is controlled by James McKenzie, majority owner of CUI, Inc. prior to acquisition and Matt McKenzie, COO.

The Company also leased office space in Malmo, Sweden pursuant to a renewable lease which terminated January 31, 2011. In addition to the base rent of (subject to periodic base lease payment increases), the Company was responsible for property taxes, maintenance and related VAT taxes. During the year ended December 31, 2012 and 2011, the monthly base rent was approximately \$0 and \$1,386, respectively.

Additionally, subsequent to the acquisition of CUI Japan and Comex Electronics, the Company had leased spaces in Tokyo, Japan and owned a small manufacturing facility on leased land in Nagano, Japan. The CUI Japan leased space in Tokyo, Japan expired January 31, 2012 and there was no rent expense for this space in 2012. CUI Japan subleased space from Comex Electronics during 2012 on a month to month basis, with monthly base rent of approximately \$1,253.

The discontinued operations of Comex Electronics had leased space in Tokyo, Japan with expirations between May 7, 2011 and September 9, 2011. In conjunction with these leases, Comex Electronics also leased parking spaces which leases expired December 31, 2010 and became a month to month agreement. Additionally, the discontinued operations of Comex Electronics had a land lease in Nagano with an expiration of August 11, 2019.

F-25

Rental expense was \$552,655 and \$592,573 in 2012 and 2011, respectively, and is included in selling, general and administrative on the statement of operations.

	2013	2014	2015	2016	2017	Thereafter
Operating Leases:	\$484,000	\$486,000	\$487,000	\$326,000	\$ -	\$ -

Consulting Agreements

In January 2010, the Company entered into a consulting agreement with Terry Williams, former GL Industrial Services Project Director, to serve as the Company's Project Director and Lead Engineer for the GASPT2 technology. The consultant will be compensated a base monthly fee and will receive commissions on sales of the GASPT2 products.

In September 2010, the Company entered into an agreement for strategic investor communications services to be provided through March 2011. For these services, the consultant was paid a fee of \$25,000 in 2010. During 2011, the agreement was extended through June 2012. During 2012 and 2011, the consultant was paid fees of \$6,750 and \$29,750, respectively.

In September 2010, the Company entered into an agreement with a consultant firm to provide for strategic investor marketing services for a period of one year. For these services, the consultant is to be paid \$3,000 per month as well as \$84,000 in common stock compensation. \$42,000 of the common stock compensation was earned in 2010 for which the consultant received 7,000 shares of common stock at \$6.00 per share. The remaining \$42,000 is to be priced at the ten day trailing average closing price at the time of the issuance when earned in 2011. The remaining \$42,000 common shares were earned March 2011, for which the consultant received 5,957 common shares at \$7.05 per share.

In February 2011, the Company engaged a consultant firm for marketing and website development services. For these services, the consultant was paid \$41,925 during 2011.

In March 2011, the Company engaged a consultant firm to provide services related to customs and duties classification for imported products. During 2011, this consultant was paid \$36,588.

In April 2011, the Company engaged a consultant firm to provided strategic investor marketing services. For these services, the consultant received \$8,000 per month. For these services which were completed in 2011, the consultant was paid \$32,000.

In June 2011, the Company engaged Merriman Capital, Inc. to act as exclusive placement agent to CUI Global, Inc. For these services, the consultant would receive a cash financing completion fee of 7.5% of the total amount of capital received by the Company from the sale of its securities to investors during the agreement period. No fees were earned during 2011. Fees paid to Merriman in 2012 were recorded as reductions to additional paid in capital associated with the equity raises.

In June 2011, the Company engaged a consultant firm to provide website support and marketing production services. This consultant was paid \$56,809 during 2011.

F-26

In December 2011, the Company issued 5,000 shares of common stock to a former consultant in consideration for the release of a claim on intellectual property with a fair value of \$19,500 recorded.

During 2012, the Company engaged a consultant firm to assist in the development and design of websites. For these services, the consultant firm was paid \$135,008 during the year.

During 2012, the Company engaged a consultant firm to assist in printed circuit board layout design related to new products. For these services, the consultant firm was paid \$130,706 during the year.

In March 2012, 15,000 shares of common stock were issued in consideration for strategic investor marketing services rendered for the benefit of the company. A \$69,450 consulting expense was recorded in relation to this transaction based on the fair market value of the stock on the date of grant.

On each of April 5, May 7, June 6, July 2, August 1, September 7, October 1 and November 1, 2012, the company issued 13,500 shares of common stock to a consultant in consideration for strategic investor marketing services rendered for the benefit of the company. A \$569,970 consulting expense was recorded in relation to these issuances based on the fair market value of the stock on the dates of the grants. In addition, the consultant was paid \$110,000 for their services.

In June and October 2012, 1,000 and 2,500 shares of common stock, respectively, were issued to a consultant in consideration for strategic investor marketing services rendered for the benefit of the company and \$19,275 of consulting expense was recorded in relation to these issuances based on the fair market value of the stock on the dates of the grant. Additionally, the consultant was paid \$11,000 for their services.

In July 2012, the Company engaged a consultant firm to provide strategic investor marketing services. For these services the consultant was paid \$65,000 during 2012.

In October 2012, 2,500 shares of common stock were issued to a consultant in consideration for strategic investor marketing services rendered for the benefit of the company and a \$12,825 consulting expense was recorded in relation to these issuances based on the fair market value of the stock on the date of the grant.

Convertible Preferred Series A

5,000,000 shares of preferred stock were designated as new Series A Convertible Preferred Stock (“Series A”). The Series A is convertible to common shares on a six-for-one basis, is due dividends at \$0.10 per share as authorized by the Board, has a liquidation value of \$1.00 per share and has equivalent voting rights as common shares on a share for share basis. Once the Series A shares have been issued, they cannot be reissued. Effective September 17, 2012 the Board of Directors passed a resolution eliminating and discontinuing all Series A Convertible Preferred Series stock and required that all preferred stock shall be returned to the Company treasury. As of December 31, 2012, no shares of Series A Convertible Preferred Stock are issued nor outstanding.

F-27

Convertible Preferred Stock Series B

On February 3, 2004, the Board of Directors designated 30,000 shares of preferred stock as Series B Convertible Preferred Stock ("Series B"). The Series B is convertible to common shares on a one thousand-for-one ratio, is due dividends at \$1 per share payable quarterly as authorized by the Board, and the dividends are cumulative. Series B has a liquidation value of \$240 per share and has voting rights of one thousand votes per Series B share. Once the Series B shares have been issued, they cannot be reissued. Effective September 17, 2012 the Board of Directors passed a resolution eliminating and discontinuing all Series B Convertible Preferred Series stock and required that all preferred stock shall be returned to the Company treasury. As of December 31, 2012 and 2011, no shares of Series B Convertible Preferred Stock are issued nor outstanding.

Convertible Preferred Stock Series C

The Company authorized for issuance 10,000 shares of preferred stock, designated as Series C Preferred Stock ("Series C"), as the result of a previously negotiated investment plan with a specific investment group. The agreement was fulfilled in 2011 and the group no longer retains rights to the convertible preferred stock Series C. Effective September 17, 2012 the Board of Directors passed a resolution eliminating and discontinuing all Series C Convertible Preferred Series stock and required that all preferred stock shall be returned to the Company treasury. During 2012 and 2011, there were no shares of Series C convertible preferred stock issued and no shares were outstanding.

Common Stock Dividend Restrictions

As of December 31, 2012, there are no restrictions on common stock dividends. As of December 31, 2011, there was a restriction on the common stock dividends as any cumulative preferred stock dividends are required to be paid prior to any common stock dividends being paid. Also, at December 31, 2012, retained earnings were not restricted upon involuntary liquidation, however at December 31, 2011, retained earnings would be restricted upon an involuntary liquidation by the cumulative unpaid preferred dividends to the preferred stockholders and for the \$1 per share Series A and \$240 per share Series B liquidation preferences.

Common Stock Issuances

During 2011, the 1,667 issuable shares listed on the balance sheet as of December 31, 2010 were issued.

During 2011, two former employees completed cashless exercises of their options for which 269 shares of common stock were issued. The Company did not receive funds from these options exercises as they were cashless.

During 2011, 5,957 shares of common stock were issued pursuant to a consultant agreement for strategic investor marketing services. The shares were priced at \$7.05 per share based on the ten day trailing average closing price at the

time of the issuance in accordance with the agreement and a \$42,000 consulting expense was recorded in relation to this transaction.

During 2011, a member of the Board of Directors exercised 23,333 warrants which he previously received in exchange for a personal guarantee of a bank note provided on behalf of the Company in May 2008. The Company received \$7,000 from the exercise of these warrants.

F-28

During 2011, a beneficial owner of more than 5% of the outstanding common stock, exercised 10,000 warrants which he previously received in exchange for a personal guarantee of a bank note provided on behalf of the Company in May 2008. The Company received \$3,000 from the exercise of these warrants.

During 2011, a beneficial owner of more than 10% of the outstanding common stock, exercised 133,333 warrants which he previously received in exchange for a personal guarantee of a bank note provided on behalf of the Company in May 2008. The Company received \$40,000 from the exercise of these warrants.

During 2011, 5,000 shares of common stock were issued to a former consultant in consideration for the release of a claim on intellectual property with a fair value related expense of \$19,500 recorded.

Effective February 17, 2012, the issued and outstanding shares of the Company's \$0.001 par value common stock were reverse split at a ratio of one for thirty (1:30) as a part of our plan to up-list our common stock on to the NASDAQ Stock Market. All fractional shares resulting from the reverse split were rounded up to the next full numbers. As a result of the rounding up effect, 97 additional shares of common stock were issued that are included in the S-1 registration statement. The company received no monetary consideration for these 97 shares.

During February 2012 our Form S-1 registration statement became effective that allowed us to sell 2,222,222 shares of common stock to our underwriter. We received \$8,913,302 in net proceeds from this sale after related costs for this transaction.

Our Form S-1 registration statement included 333,333 shares of common stock that were sold in March 2012 to our underwriter pursuant to the over-allotment provision of our underwriting contract. We received \$1,387,499 in net proceeds from this sale after related costs for this transaction.

Also in March 2012, pursuant to stock purchase agreement, we sold to seven investors a total of 570,000 shares of common stock at \$4.50 per share. We received \$2,253,008 in net proceeds from this sale after related costs for this transaction.

During March 2012, a beneficial owner of approximately 8%, exercised 10,071 warrants he previously received in relation to a note provided to the Company which has since been paid in full. The company received \$3,021 from this transaction.

March 20, 2012, 15,000 shares of common stock were issued in consideration for strategic investor marketing services rendered for the benefit of the company. A \$69,450 consulting expense was recorded in relation to this transaction based on the fair market value of the stock on the date of grant.

On each of April 5, May 7, June 6, July 2, August 1, September 7, October 1 and November 1, 2012, the company issued 13,500 shares of common stock to a consultant in consideration for strategic investor marketing services rendered for the benefit of the company. A \$569,970 consulting expense was recorded in relation to these issuances based on the fair market value of the stock on the dates of the grants.

F-29

Between April 4-12, 2012, 57,000 shares of common stock were issued in relation to common stock bonuses granted to officers and employees. 50,750 of these common shares were issued to three officers with a fair value of \$243,600 in accordance with their employment agreement bonus provisions. Two employees were awarded a total of 6,250 common shares with a fair value total of \$30,000.

On April 12, 2012, a holder of 2,500 shares of convertible Series A preferred stock completed the conversion of those shares into common shares. At the same time, the holder also converted an accrued preferred stock dividend of \$250 into common shares. For these conversions, the holder received 458 common shares based upon the conversion features of the convertible Series A preferred stock and accrued preferred stock dividends.

On May 4, 2012, a holder of 45,000 shares of convertible Series A preferred stock completed the conversion of those shares into common shares. At the same time, the holder also converted an accrued preferred stock dividend of \$4,500 into common shares. For these conversions, the holder received 8,645 common shares based upon the conversion features of the convertible Series A preferred stock and accrued preferred stock dividends.

On May 30, 2012, a holder of 3,043 shares of convertible Series A preferred stock completed the conversion of those shares into common shares. At the same time, the holder also converted an accrued preferred stock dividend of \$304 into common shares. For these conversions, the holder received 558 common shares based upon the conversion features of the convertible Series A preferred stock and accrued preferred stock dividends.

On June 21, 2012, 1,000 shares of common stock were issued to a consultant in consideration for strategic investor marketing services rendered for the benefit of the company and a \$6,450 consulting expense was recorded in relation to these issuances based on the fair market value of the stock on the date of the grant.

On June 28 and 29, July 2, 3, 16 and 27, 2012, we sold 234,332 shares of common stock to nine investors at \$4.50 per share pursuant to stock purchase agreements net proceeds of \$975,455 after related costs for this transaction.

On September 7, 2012, 1,052 shares of common stock were issued as a royalty to James McKenzie, majority owner of CUI, Inc. prior to the May 2008 asset acquisition by CUI Global. The shares were valued at \$6,638.

On September 27, 2012, 4,596 shares of common stock were issued to an employee as a bonus. These shares were expensed at a fair value of \$25,000 as of the date of issuance.

On October 16, 2012, 2,500 shares of common stock were issued to a consultant in consideration for strategic investor marketing services rendered for the benefit of the company and a \$12,825 consulting expense was recorded in relation to these issuances based on the fair market value of the stock on the date of the grant.

Non-Employee Stock Warrants

During 2012 and 2011, no warrants were issued by the Company.

F-30

A summary of the warrants issued to non-employees for services as of December 31, 2012 and 2011 and changes during the years is presented below:

	2012		2011	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance at beginning of period	10,071	\$ 0.30	416,634	\$ 3.58
Granted	-	\$ -	-	\$ -
Exercised	(10,071)	\$ 0.30	(166,667)	\$ 0.30
Forfeited (expired)	-	\$ -	(239,896)	\$ 6.00
Balance at end of period	-	\$ -	10,071	\$ 0.30
Warrants exercisable at end of period	-	\$ -	10,071	\$ 0.30
Weighted average fair value of warrants granted during the period		\$ -		\$ -

During 2011, warrants to purchase 239,896 shares of common stock expired during the year and are recorded as forfeited in the table above.

The following table summarizes information about non-employee stock warrants outstanding and exercisable that were issued for services at December 31, 2012 and 2011:

Warrants Outstanding				Warrants Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 2012	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2012	Weighted Average Exercise Price
\$ -	-	0.00 Years	\$ -	-	\$ -
-	-	0.00 Years	\$ -	-	\$ -

Warrants Outstanding				Warrants Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 2011	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2011	Weighted Average Exercise Price
\$ 0.30	10,071	0.62 Years	\$ 0.30	10,071	\$ 0.30
	10,071	0.62 Years	\$ 0.30	10,071	\$ 0.30

Employee Stock Options and Warrants

All options and warrants issued are presented at post reverse quantities.

On May 16, 2008 the Company's Board of Directors adopted the Waytronx, Inc. 2008 Equity Incentive Plan (the "Equity Incentive Plan") and authorized 1,500,000 shares of Common Stock to fund the Plan. At the 2008 Annual Meeting of Shareholders held on September 15, 2008, the Equity Incentive Plan was approved by the Company shareholders. At the 2009 Annual Meeting of Shareholders held on September 29, 2009, the shareholders approved an amendment to the 2008 Equity Incentive Plan to increase the number of common shares issuable under the plan from 1,500,000 to 3,000,000. All of these shares have been registered under Form S-8.

F-31

The 2008 Equity Incentive Plans is intended to: (a) provide incentive to employees of the Company and its affiliates to stimulate their efforts toward the continued success of the Company and to operate and manage the business in a manner that will provide for the long-term growth and profitability of the Company; (b) encourage stock ownership by employees, directors and independent contractors by providing them with a means to acquire a proprietary interest in the Company by acquiring shares of Stock or to receive compensation which is based upon appreciation in the value of Stock; and (c) provide a means of obtaining and rewarding employees, directors, independent contractors and advisors.

The 2008 Equity Incentive Plans provide for the issuance of incentive stock options (ISOs) and Non Statutory Options (NSOs) to employees, directors and independent contractors of the Company. The Board shall determine the exercise price per share in the case of an ISO at the time an option is granted and such price shall be not less than the fair market value or 110% of fair market value in the case of a ten percent or greater stockholder. In the case of an NSO, the exercise price shall not be less than the fair market value of one share of stock on the date the option is granted. Unless otherwise determined by the Board, ISOs and NSOs granted under the both plans have a maximum duration of 10 years.

On January 5, 2009 the Company Board of Directors received and approved a written report and recommendations of the Compensation Committee which included a detailed executive equity compensation report and market analysis and the recommendations of Compensia, Inc., a management consulting firm that provides executive compensation advisory services to compensation committees and senior management of knowledge-based companies. The Compensation Committee used the report and analysis as a basis for its formal written recommendation to the board. Pursuant to a January 8, 2009 board resolution the 2009 Equity Incentive Plan (Executive), a Non-Qualified Stock Option Plan, was created and funded with 4,200,000 shares of \$0.001 par value common stock. The Compensation Committee was appointed as the Plan Administrator to manage the plan. On October 11, 2010, CUI Global authorized an additional 3,060,382 options under the 2009 Equity Incentive Plan (Executive). On September 21, 2012, CUI Global authorized an additional 330,000 options under the 2009 Equity Incentive Plan (Executive).

The 2009 Equity Incentive Plan (Executive) provides for the issuance of Incentive Non Statutory Options to attract, retain and motivate executive and management employees and directors and to encourage these individuals to acquire an equity interest in the Company, to make monetary payments to certain management employees and directors based upon the value of the Company's stock and to provide these individuals with an incentive to maximize the success of the Company and further the interest of the shareholders. The Administrator of the plan is authorized to determine the exercise price per share at the time the option is granted, but the exercise price shall not be less than the fair market value on the date the option is granted. Stock options granted under the 2009 Plan have a maximum duration of 10 years.

At December 31, 2012, there are 1,328,833 shares of common stock available under the 2008 Equity Incentive Stock Plan and 378,151 available under the 2009 Equity Incentive Plan (Executive).

During the years ended 2012 and 2011, the Company recorded compensation expense of \$232,785 and \$166,367, respectively, for stock options that the requisite service was performed during the year. The compensation expense is recorded over the vesting period based upon fair market value of the options using the Black Scholes option model in accordance with FASB ASC 718 as discussed in section Employee Stock Options and Warrants.

A summary of the warrants and options issued to employees and directors as of December 31, 2012 and 2011 and changes during the year are presented below:

	2012		2011	
	Number of Warrants and Options	Weighted Average Exercise Price	Number of Warrants and Options	Weighted Average Exercise Price
Balance at beginning of period	259,299	\$ 7.75	293,372	\$ 7.45
Exercised	-	\$ -	(1,000)	\$ 5.70
Expired	(3,000)	\$ 5.33	(33,073)	\$ 2.81
Forfeited	-	\$ -	-	\$ -
Granted	425,842	\$ 5.68	-	\$ -
Balance at end of period	682,141	\$ 6.47	259,299	\$ 7.75
Exercisable	262,952	\$ 7.31	201,790	\$ 7.44

As of December 31, 2012 and 2011, there were 419,189 and 57,509, respectively, non-vested warrants and options issued to employees and directors.

The weighted average fair value of warrants and options granted during the periods are as follows:

	2012	2011
Exercise price lower than the market price	\$-	\$ -
Exercise price equaled the market price	\$4.56 - \$4.58	\$ -
Exercise price exceeded the market price	\$6.00	\$ -

The fair value of warrants and options granted during 2012 was estimated on the dates of the grants using the following assumptions: dividend yield of 0%, expected volatilities of 84% - 91%, risk-free interest rates of 0.27%, and expected lives of 2 years. There were no warrants and options granted during 2011.

The following tables summarize information about employee stock warrants and options outstanding at December 31, 2012 and 2011:

Warrants and Options Outstanding December 31, 2012				Warrants and Options Exercisable December 31, 2012	
Range of Exercise Price	Number Outstanding at December 31, 2012	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2012	Weighted Average Exercise Price
\$4.56	84,675	1.15 Years	\$ 4.56	-	\$ 4.56
\$4.58	10,167	0.14 Years	\$ 4.58	10,167	\$ 4.58
\$5.70	39,750	0.37 Years	\$ 5.70	39,750	\$ 5.70
\$6.00	330,000	4.70 Years	\$ 6.00	27,500	\$ 6.00
\$7.50	124,573	1.10 Years	\$ 7.50	124,573	\$ 7.50
\$9.00	92,976	1.06 Years	\$ 9.00	60,962	\$ 9.00
	682,141	8.52 Years	\$ 6.47	262,952	\$ 7.31

Warrants and Options Outstanding December 31, 2011				Warrants and Options Exercisable December 31, 2011	
Range of Exercise Price	Number Outstanding at December 31, 2011	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2011	Weighted Average Exercise Price
\$5.70	41,750	1.17 Years	\$ 5.70	41,750	\$ 5.70
\$7.50	124,573	3.37 Years	\$ 7.50	117,372	\$ 7.50
\$9.00	92,976	3.15 Years	\$ 9.00	42,668	\$ 9.00
	259,299	7.69 Years	\$ 7.75	201,790	\$ 7.44

9. RELATED PARTY TRANSACTIONS

As an integrated part of the CUI asset acquisition, the CUI Global, Inc. corporate offices were relocated to the CUI location at 20050 SW 112th Avenue, Tualatin, Oregon 97062. CUI and CUI Global occupy the 61,380 square feet of offices and warehouse premises under a ten year non-cancelable lease agreement beginning September 1, 2006 with Barakel, LLC (a related party) at a base monthly rent subject to periodic base payment increases plus real property taxes, utilities, insurance and common area maintenance charges. During the year ended December 31, 2012, the monthly base rent was \$40,250 in accordance with the lease schedule. During the period January 1 through August 31, 2011, the monthly base rent was \$40,000 and increased in accordance with the lease schedule to \$40,250 for the

period September 1 through December 31, 2011. Barakel, LLC is controlled by James McKenzie, who was a majority owner of CUI, Inc. prior to acquisition and Matt McKenzie, COO.

The Company recorded investment income of \$59,623 and \$41,472 during 2012 and 2011, respectively, related to its interest in Test Products International (“TPI”). During 2011, the Company assigned a note receivable from TPI with a balance of \$192,508 to IED, Inc. toward the principal owed on notes payable. For further details regarding TPI, please see Note 2 discussion Investment – Equity Method.

F-34

In September 2010, the Company negotiated an amendment to the \$14,000,000 seller's promissory note to International Electronic Devices, Inc., of which a related party and two corporate officers, one of whom is also a director, are principals in the corporate note holder. This amendment provided forgiveness of the principal balance of \$1,588,063 and forgiveness of accrued interest of \$724,729, as well as an extension of the maturity date to May 15, 2018. The total forgiveness of debt and accrued interest of \$2,312,792 was recorded as additional paid in capital in 2010. In exchange for this amendment, the Company agreed to make principal payments totaling \$1,500,000 as follows: \$1,200,000 before December 31, 2010 and an additional \$300,000 in January 2011. Additionally, the Company agreed to assign a note receivable owed to CUI Inc. from TPI in the amount of \$187,208 to IED during the first quarter of 2011. During 2010, \$200,000 of the \$1,200,000 in principal that was due before December 31, 2010 was settled for 33,333 shares of common stock at a conversion price of \$6.00 per share. A related party and two corporate officers, one of whom is also a director are principals in the corporate note holder and each received shares from this transaction. During 2012 and 2011, the Company made regular interest payments on this seller's promissory note in accordance with the terms of the note. Additionally, during 2012, the Company repaid \$3,000,000 of the principal balance from proceeds received through the equity issuances. At December 31, 2012, the balance of this note is \$7,303,683 and is held in long term notes payable, related party.

In April 2011, a member of the Board of Directors exercised 23,333 warrants at \$0.30 per share which he previously received in exchange for a personal guarantee of a bank note provided on behalf of the Company in May 2008. The Company received \$7,000 of proceeds from this warrant exercise.

In May 2011, a beneficial owner of more than 5% of the outstanding common stock, exercised 10,000 warrants at \$0.30 per share which he previously received in exchange for a personal guarantee of a bank note provided on behalf of the Company in May 2008. The Company received \$3,000 from this warrant exercise.

Also in May 2011, a beneficial owner of approximately 8% of the outstanding common stock, exercised 133,333 warrants at \$0.30 per share which he previously received in exchange for a personal guarantee of a bank note provided on behalf of the Company in May 2008. The Company received \$40,000 from this warrant exercise.

In July 2011, a CUI Global officer provided a short term convertible loan of \$35,000 to the Company which accrues interest at 6% per annum, convertible at \$0.17 per common share. The balance of this loan was repaid in full during 2012. At December 31, 2012 and 2011, the balance of this loan was \$0 and \$35,000, respectively, and is included in Convertible notes payable, related party, current portion due. There was no beneficial conversion on the convertible note as the conversion price was equal to the fair value on the date of grant.

In March 2012, a beneficial owner of approximately 8% of the outstanding common stock exercised 10,071 warrants at \$0.30 per share which he previously received in relation to a note provided to the Company which has since been paid in full. The Company received \$3,021 from this warrant exercise.

10. DISCONTINUED OPERATIONS

Effective July 1, 2011, CUI Global entered into an agreement to convey its 49% ownership interest in Comex Electronics to the owners of the remaining 51% who are the original founders and were the original owners of Comex Instruments, for \$617,975 in the form of a five year note receivable bearing interest at 4% per annum. The Company's continuing operations focus on the development, manufacturing and sale of electrical components. There were no discontinued operations in 2012. Revenue and expenses allocated to discontinued operations for the year ended December 31, 2011 were limited to revenue and expenses that were directly related to the operations of Comex Electronics, or that were eliminated as a result of the sale of the subsidiary. As a result, certain continuing indirect costs that were previously allocated to Comex were not allocated to discontinued operations. It is expected that the Company and Comex Electronics will continue a business relationship. Comex Electronics is a customer of CUI Global and also a vendor to CUI Global that provides manufacturing and other services.

F-35

The results of operations from discontinued operations are set forth below:

	For the year ended December 31,	
	2012	2011
Total revenues	\$ -	\$ 1,280,485
Cost of revenues	-	1,146,443
Gross profit	-	134,042
Selling, general, administrative and other	-	294,195
(Loss) from discontinued operations	-	(160,153)
Gain on sale of Comex Electronics	-	603,034
Net profit (loss) from discontinued operations	-	442,881
Less net profit (loss) from discontinued operations - noncontrolling interest	-	67,872
Net profit (loss) from discontinued operations allocable to common stocholders	\$ -	\$ 375,009

F-36

11. INCOME TAXES

The Company recognized losses for both financial and tax reporting purposes during each of the periods in the accompanying consolidated statements of operations. Accordingly, no provision for income taxes and/or deferred income taxes payable has been provided for in the accompanying consolidated financial statements.

An income tax benefit has not been recognized for operating losses generated in prior periods based on uncertainties concerning the ability to generate taxable income in future periods. At December 31, 2012, the Company had available net operating loss carry-forwards which expire in various years through the year ending December 31, 2032; however, because the Company has incurred significant operating losses, utilization of the tax loss carry-forwards are not assured. The increase in the valuation allowance for the year ended December 31, 2012 was approximately \$481,000. As a result, the non-current deferred income tax asset arising from these net operating loss carry-forwards and from other temporary differences are not recorded in the accompanying balance sheets because a valuation allowance was established to fully reserve such assets due to the uncertainty of the Company's realization of this benefit.

After consideration of all the evidence management has determined that a full valuation allowance is necessary to reduce the deferred tax assets to the amount that will more likely than not be realized.

In future periods, tax benefits and related deferred tax assets will be recognized when management considers realization of such amounts to be more likely than not.

The Company's tax expense differs from the "expected" tax expense for the periods ended December 31, 2012 and 2011, computed by applying the Federal Corporate tax rate of 34% to loss before taxes, as follows:

	2012	2011
Computed "expected" tax benefit	\$(800,084)	\$(16,579)
State tax benefit, net of federal effect	(166,285)	(2,124)
Change in valuation allowance	480,742	(98,800)
Non-deductible expenses	(435,030)	147,313
	\$(920,657)	\$29,810

For the periods ended December 31, 2012 and 2011, the tax effects of temporary differences that gave rise to significant portions of deferred tax assets and liabilities were as follows:

	2012	2011
Deferred tax assets (liabilities)		
Intangible assets	\$(8,046,564)	\$(8,153,358)
Property and equipment	634,354	634,354
Net operating loss carryforwards	20,699,678	20,376,785
Contribution and other carryforwards	292,692	241,637
Inventory and accounts receivable reserves	139,999	139,999
Valuation allowance	(13,720,159)	(13,239,417)
Net deferred tax assets	\$-	\$-

12.

CONCENTRATIONS

During 2012, 59% of revenues were derived from five customers at 47%, 4%, 3%, 3%, and 2%. During 2011, 55% of revenues were derived from six customers at 41%, 4%, 3%, 3%, 2% and 2%.

The Company's major product lines in 2012 and 2011 were external power, internal power and industrial controls.

At December 31, 2012, of the gross trade accounts receivable from continuing operations totaling \$5,095,926, 57% was due from six customers: 37%, 8%, 3%, 3%, 3% and 3%. At December 31, 2011, of the gross trade accounts receivable from continuing operations totaling \$3,819,641, 53% was due from eight customers: 21%, 9%, 7%, 5%, 4%, 3%, 2% and 2%.

13.

STOCK-BASED EMPLOYEE COMPENSATION

Stock options granted are presented post reverse split using the 30 to 1 reverse split ratio.

On May 16, 2008, the Board of Directors approved the CUI Global, Inc. 2008 Equity Incentive Plan ("2008 Plan") and authorized 1,500,000 shares of the Company's common stock to fund the Plan. At the 2008 Annual Meeting of Shareholders the Equity Incentive Plan was approved by the Company shareholders. The 2008 Plan provides for the issuance of stock options to attract, retain and motivate employees, to encourage employees, directors and independent contractors to acquire an equity interest in the Company, to make monetary payments to certain employees based upon the value of the Company's stock, and provide employees, directors and independent contractors with an incentive to maximize the success of the Company and further the interest of the shareholders. The 2008 Plan provides for the issuance of Incentive Stock Options and Non Statutory Options. The Administrator of the plan shall determine the exercise price per share at the time the option is granted, but the exercise price shall not be less than the fair market value on the date the option is granted. Stock options granted under the 2008 Plan have a

maximum duration of 10 years.

At the 2009 Annual Meeting of Shareholders held on September 29, 2009, the shareholders approved an amendment to the 2008 Equity Incentive Plan to increase the number of common shares issuable under the plan from 1,500,000 to 3,000,000. All of these shares have been registered under Form S-8.

F-38

On January 5, 2009 the Company Board of Directors received and approved a written report and recommendations of the Compensation Committee which included a detailed executive equity compensation report and market analysis and the recommendations of Compensia, Inc., a management consulting firm that provides executive compensation advisory services to compensation committees and senior management of knowledge-based companies. The Compensation Committee used the report and analysis as a basis for its formal written recommendation to the board. Pursuant to a January 8, 2009 board resolution the 2009 Equity Incentive Plan (Executive), a Non-Qualified Stock Option Plan, was created and funded with 4,200,000 shares of \$0.001 par value common stock. The Compensation Committee was appointed as the Plan Administrator to manage the plan. October 11, 2010, CUI Global authorized an additional 3,060,382 options under the 2009 Equity Incentive Plan (Executive).

The 2009 Equity Incentive Plan (Executive) provides for the issuance of Incentive Non Statutory Options to attract, retain and motivate executive and management employees and directors and to encourage these individuals to acquire an equity interest in the Company, to make monetary payments to certain management employees and directors based upon the value of the Company's stock and to provide these individuals with an incentive to maximize the success of the Company and further the interest of the shareholders. The Administrator of the plan is authorized to determine the exercise price per share at the time the option is granted, but the exercise price shall not be less than the fair market value on the date the option is granted. Stock options granted under the 2009 Plan have a maximum duration of 10 years.

The fair value of each stock option is estimated on the date of grant using a Black Scholes Pricing Model. The fair value of warrants and options granted during 2012 was estimated on the dates of the grants using the following assumptions: dividend yield of 0%, expected volatilities of 84% - 91%, risk-free interest rates of 0.27%, and expected lives of 2 years. During the year ended December 31, 2011, the Company did not grant any stock options.

The following information is presented post reverse split for the stock option activity for the year ended December 31, 2012:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Aggregate Intrinsic Value
Outstanding at December 31, 2010	293,372	\$ 7.45	8.37 Years	\$ 66,544
Exercised	(1,000)	\$ 5.70		
Expired	(33,073)	\$ 2.81		
Forfeited	-	\$ -		
Granted	-	\$ -		
Outstanding at December 31, 2011	259,299	\$ 7.75	7.69 Years	\$ -
Exercised	-	\$ -		
Expired	(3,000)	\$ 5.33		
Forfeited	-	\$ -		

Edgar Filing: CORNERSTONE TOTAL RETURN FUND INC - Form PRE 14A

Granted	425,842	\$ 5.68	6.00 Years	
Outstanding at December 31, 2012	682,141	\$ 6.47	8.52 Years	\$ 88,000
Outstanding exercisable at December 31, 2012	262,952	\$ 7.31	6.98 Years	\$ 9,252

F-39

The weighted average fair value of warrants and options granted during the periods are as follows:

	2012	2011
Exercise price lower than the market price	\$-	\$ -
Exercise price equaled the market price	\$ 4.56 - \$4.58	\$ -
Exercise price exceeded the market price	\$6.00	\$ -

14.

SUBSEQUENT EVENTS

Management has reviewed for subsequent events through the date of this filing and determined that no subsequent events have occurred.

F-40