CoreSite Realty Corp
Form 10-K
February 12, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For The Fiscal Year Ended December 31, 2015

or

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

For The Transition Period From To
Commission file number 001-34877

CoreSite Realty Corporation

(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**27-1925611** (I.R.S. Employer Identification No.)
1001 17th Street, Suite 500 **Denver, CO** (Address of principal executive offices)	**80202** (Zip Code)

(866) 777-2673
(Registrant's telephone number, including area code)

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

Title of Class	**Name of Exchange On Which Registered**
Common Stock, $0.01 par value per share	New York Stock Exchange
7.25% Series A Cumulative Redeemable Preferred Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. ý

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

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

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

The aggregate market value of common equity held by non-affiliates of the registrant was approximately $1,027.9 million as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter. For purposes of the foregoing calculation, all directors and executive officers of the registrant and holders of more than 10% of the registrant's common equity are assumed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 10, 2016, there were 30,649,724 shares of the registrant's Common Stock, $0.01 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed in conjunction with the registrant's 2016 Annual Meeting of Stockholders, which is expected to be filed not later than 120 days after the registrant's fiscal year ended December 31, 2015, are incorporated by reference in Part III of this report.

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Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (this "Annual Report"), together with other statements and information publicly disseminated by our company, contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), namely Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the PSLRA and include this statement for purposes of complying with these safe harbor provisions.

In particular, statements pertaining to our capital resources, portfolio performance, business strategies and results of operations contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "pro forma" or "anticipates" or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: (i) the geographic concentration of our data centers in certain markets and any adverse developments in local economic conditions or the demand for data center space in these markets; (ii) fluctuations in interest rates and increased operating costs; (iii) difficulties in identifying properties to acquire and completing acquisitions; (iv) the significant competition in our industry and an inability to lease vacant space, renew existing leases or release space as leases expire; (v) lack of sufficient customer demand to realize expected returns on our investments to expand our property portfolio; (vi) decreased revenue from costs and disruptions associated with any failure of our physical infrastructure or services; (vii) our ability to lease available space to existing or new customers; (viii) our failure to obtain necessary outside financing; (ix) our failure to qualify or maintain our status as a Real Estate Investment Trust ("REIT"); (x) financial market fluctuations; (xi) changes in real estate and zoning laws and increases in real property tax rates; (xii) delays or disruptions in third-party network connectivity; (xiii) service failures or price increases by third party power suppliers; (xiv) inability to renew net leases on the data center properties we lease; and (xv) other factors affecting the real estate industry generally.

In addition, important factors that could cause actual results to differ materially from the forward-looking statements include the risk factors in Item 1A. "Risk Factors" and elsewhere in this Annual Report. New risks and uncertainties arise from time to time, and we cannot predict those events or how they might affect us. We assume no obligation to update any forward-looking statements after the date of this Annual Report, except as required by applicable law. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

When we use the terms "we," "us," "our," the "Company," "CoreSite" and "our company" in this Annual Report, we are referring to CoreSite Realty Corporation, a Maryland corporation, together with our consolidated subsidiaries, including CoreSite, L.P., a Delaware limited partnership of which we are the sole general partner and which we refer to as "our Operating Partnership."

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PART I

ITEM 1. BUSINESS

The Company

We deliver secure, reliable, high-performance data center and interconnection solutions, supported by industry-leading customer service, to a growing customer ecosystem across eight key North American markets. We bring together strong network and cloud communities to support the needs of the enterprise and create a highly diverse customer ecosystem for more than 900 of the world's leading enterprises, network operators, cloud providers and supporting service providers. We completed our initial public offering of common stock on September 23, 2010 ("IPO"). We operate as a real estate investment trust ("REIT") for federal income tax purposes and conduct certain activities through our taxable REIT subsidiaries.

Our Business

We are a fully integrated, self-administered, and self-managed REIT. Through our controlling interest in CoreSite, L.P., a Delaware limited partnership, our "Operating Partnership," we are engaged in the business of ownership, acquisition, construction and operation of strategically located data centers in some of the largest and fastest growing data center markets in the United States, including the Northern Virginia (including Washington D.C.), New York, and San Francisco Bay areas, Chicago, Los Angeles, Boston, Miami and Denver.

Data centers are highly specialized and secure buildings that house networking, storage and communications technology infrastructure, including servers, storage devices, switches, routers and fiber optic transmission equipment. These buildings are designed to provide the power, cooling and network connectivity necessary to efficiently operate this mission-critical equipment. Data centers located at points where many communications networks converge can also function as interconnection hubs where customers are able to connect to multiple networks and exchange traffic with each other. Our data centers feature advanced reliable and efficient power, cooling and security systems, including twenty-four-hours-a-day, seven-days-a-week in-house security staffing, and many are points of network interconnection that provide the evolved ecosystems our customers need to meet their own competitive challenges and business goals. We believe we have the flexibility and scalability to satisfy the full spectrum of our customers' growth requirements and corresponding data center needs by providing data center space ranging in size from an entire building or large dedicated suite to a cage or half cabinet.

The first data center in our portfolio was purchased in 2000 by certain real estate funds (the "Funds") affiliated with The Carlyle Group, our Predecessor, and since then we have continued to acquire, develop and operate these types of data center facilities. Our properties are self-managed, including construction project management in connection with our development initiatives. As of December 31, 2015, our property portfolio included 17 operating data center facilities, office and light-industrial space and multiple development projects and space, which collectively comprise over 2.8 million net rentable square feet ("NRSF"), of which over 1.6 million NRSF is existing data center space.

Our Competitive Strengths

We believe the following key competitive strengths position us to efficiently scale our business, capitalize on the demand for data center space and interconnection services, and thereby grow our cash flow.

Secure, Reliable, and Compliant. We help businesses protect mission-critical data, performance sensitive applications and IT infrastructure by delivering secure, reliable, and compliant data center solutions. Our data centers feature advanced efficient power and cooling infrastructure to support our customer's IT infrastructure with additional power capacity to support continued growth. We provide twenty-four-hours-a-day, seven-days-a-week in-house security guard monitoring with customizable security features. We also provide the infrastructure and physical security required to support many of our customers' compliance needs.

High Performance. We offer cloud-enabled, network-rich data center campuses with over 20,000 interconnections across our portfolio and direct access to over 300 carriers and ISPs, over 275 leading cloud and IT service providers and inter-site connectivity. Our offerings include the CoreSite Open Cloud Exchange, the CoreSite Open Internet Exchange Hub and the Any2 Internet Exchange. We believe that the diverse network connectivity options at many of our data centers provide us with a competitive advantage because network-dense facilities offering high levels of connectivity typically take many years to establish. Many providers in our data center facilities can leverage our sites as revenue opportunities by offering their services directly to other customers within our data centers, while enterprises can reduce their total cost of operations by directly connecting to service providers in the same data center in a cost effective manner.

Scalable. Across 17 operating data centers in eight key North American markets, we lease space to enterprises through multiple sub-verticals such as financial, healthcare, education, government, manufacturing, and professional services. We believe our ability to be both flexible and scalable is a key differentiator. We offer many space, power, and interconnection options that allow customers to select products and services that meet their needs. We believe we have a compelling combination of presence in most of the top data center markets in the U.S. with the ability to meet customers' growing capacity requirements within those markets.

At December 31, 2015, our data center facilities have approximately 170,000 NRSF of unoccupied space. We have the ability to expand our occupied data center square footage by approximately 1,039,000 NRSF, or 70%, through leasing our unoccupied space and the development of 370,000 NRSF space under construction as of December 31, 2015, and approximately 498,000 NRSF at multiple facilities that are available for future development based on market supply and demand.

Best-in-Class Customer Experience. We believe our 391 professionals deliver best-in-class service by placing customer needs first in supporting the planning, implementation and operating requirements of customers. We provide dedicated implementation resources to ensure a seamless onboarding process for customers. Our leasing and sales professionals can develop complex data center solutions for the most demanding customer requirements and our experienced and committed operations and facilities personnel are available for extensive management support.

Facilities in Key Markets. Our portfolio is concentrated in some of the largest and most important U.S. metropolitan markets and we expect to continue benefitting from this concentration as customers seek new, high-quality data center space and interconnections within our markets, which are many of the key North American network, financial, cloud and commercial hubs. Our data centers are located in the Northern Virginia (including Washington D.C.), New York and San Francisco Bay areas, Chicago, Los Angeles, Boston, Miami and Denver. These locations offer access to the utility power required to effectively run the data center facilities. Many of our facilities are also situated in close proximity to a concentration of key businesses and corporations, driving demand for our data center space and interconnection services.

Diversified Customer Base. We have a diverse, global customer base, which we believe is a reflection of our strong reputation and proven track record, as well as our customers' trust in our ability to house their mission-critical applications and vital communications technology. Our diverse

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customer base spans many industries across eight key North America markets. In addition to geographic markets, we group our customers into the following industry verticals:

- Enterprise:
  - Digital Content and Multimedia
  - Systems Integrators and Managed Services Providers ("SI & MSP")
  - Other (financial, healthcare, education, government, manufacturing and professional services)
- Cloud and IT Service Providers
- Networks and Mobility: domestic and international telecommunications carriers, ISPs (Internet Service Providers) and CDNs (Content Delivery Networks)

Business and Growth Strategies

Our business objective is to continue growing our position as a provider of strategically located data center space in North America. Key components of our strategy include the following:

Increase Cash Flow of In-Place Data Center Space. We actively manage and lease our properties to increase cash flow by:

- *Leasing Available Space.* We have the ability to increase both our revenue and our revenue per square foot by leasing additional space, power and interconnection services to new and existing data center customers. As of December 31, 2015, substantially all of our data center facilities had space and power available to offer our customers the ability to increase their square footage under lease as well as the amount of power they use per square foot. Our existing data center facilities have approximately 170,000 NRSF of space currently unoccupied. We believe this space, together with available power, enables us to generate incremental revenue within our existing data center footprint.

- *Increasing Interconnection in our Facilities.* As more customers locate in our facilities, it benefits their business partners and customers to colocate with CoreSite in order to gain the full economic and performance benefits of our interconnection services. We believe this ecosystem of customers continues to drive new and existing customer growth, and in turn, increases the volume of interconnection services and the amount of value-add power services such as breakered AC and DC primary and redundant power.

Capitalize on Embedded Expansion Opportunities. We plan to grow by developing new secure, reliable and high-performance data center space. Our development opportunities include leveraging existing in-place infrastructure and entitlements in currently operating properties or campuses. In many cases, we are able to strategically deploy capital by developing space in incremental phases to meet customer demand. Including the space currently under construction at December 31, 2015, vacant space and land targeted for future development, we own land and buildings sufficient to develop approximately 869,000 NRSF of data center space.

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The following table summarizes the NRSF under construction and NRSF held for development throughout our portfolio, each as of December 31, 2015:

	Development Opportunities (in NRSF)		
Facilities	**Under Construction(1)**	**Held for Development(2)**	**Total**
San Francisco Bay			
Santa Clara campus(3)	216,580	150,000	366,580
Los Angeles			
One Wilshire campus			
LA2	43,345	127,202	170,547
Northern Virginia			
VA2	96,274		96,274
Boston			
BO1	14,031	73,619	87,650
New York			
NY2		134,508	134,508
Miami			
MI1		13,154	13,154
Total Facilities(4)	**370,230**	**498,483**	**868,713**

(1) Represents NRSF for which substantial activities are ongoing to prepare the property for its intended use following development. The NRSF reflects management's estimate of engineering drawings and required support space and is subject to change based on final demising of space.

(2) Represents incremental data center capacity currently vacant in existing facilities in our portfolio that requires significant capital investment in order to develop into data center facilities.

(3) In April 2015, we began construction on 136,580 NRSF at this campus pursuant to the terms of a build-to-suit lease entered into on the same date with a strategic customer for a 100% pre-leased powered shell, which will be known as SV6. We expect to deliver SV6 during the first half of 2016. In September 2015, we commenced development of a new 230,000 NRSF data center, SV7, and we expect to complete the first phase of 80,000 NRSF during the second quarter of 2016.

(4) In addition to our development opportunities disclosed within this table, we have entitled and unentitled land adjacent to our NY2 and LA2 facilities, in the form of existing parking lots. By utilizing existing parking lots, we believe that we could develop 100,000 NRSF and 200,000 NRSF buildings at NY2 and LA2, respectively, upon receipt of necessary entitlements.

Selectively Pursue Acquisition and Development Opportunities in New and Existing Markets. We evaluate opportunities to acquire or develop data center space with abundant power and/or dense points of interconnection in key markets that will expand our customer base and broaden our geographic footprint. Such acquisitions may entail subsequent development, which requires significant capital expenditures. We also intend to continue to implement the "hub-and-spoke strategy" that we have deployed in our four largest markets, namely Los Angeles, New York, San Francisco Bay and Northern Virginia. In these markets, we have extended our data center footprint by connecting our newer facilities, the spokes, to our established data centers, our hubs, which allows our customers leasing space at the spokes to leverage the significant interconnection capabilities of our hubs. In order to deploy our "hub-and-spoke strategy," we typically rely on third-party providers of network connectivity to establish highly reliable network connectivity within and between facilities.

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Leverage Existing Customer Relationships and Reach New Customers. Our strong customer and industry relationships, combined with our national footprint and sales force, afford us insight into the size, timing and location of customers' planned growth. We historically have been successful in leveraging this market visibility to expand our footprint and customer base in existing and new markets. We intend to continue to strengthen and expand our relationships with existing customers and to further grow and diversify our customer base by targeting growing customers and segments, such as domestic and international telecommunications carriers, content and media entertainment providers, cloud providers and other enterprise customers, including financial, health care, educational institutions and government agencies.

Our Portfolio

As of December 31, 2015, our property portfolio included 17 operating data center facilities, office and light-industrial space and multiple development projects that collectively comprise over 2.8 million NRSF, of which over 1.6 million NRSF is existing data center space. The 0.9 million NRSF of development projects includes space available for development and construction of new facilities. We expect that this development potential plus any incremental investment into existing or new markets will enable us to accommodate existing and future customer demand and position us to continue to increase our operating cash flows. The following table provides an overview of our property portfolio as of December 31, 2015:

		Data Center Operating NRSF(1)							Total NRSF
		Stabilized		Pre-Stabilized(2)		Total		Development NRSF(3)	
Market/Facilities	**Annualized Rent ($000)(4)**	**Total**	**Percent Occupied(5)**	**Total**	**Percent Occupied(5)**	**Total**	**Percent Occupied(5)**	**Total**	**Total Portfolio**
San Francisco Bay									
SV1	$ 6,760	85,932	84.9%		%	85,932	84.9%		85,932
SV2	8,086	76,676	95.8			76,676	95.8		76,676
Santa Clara campus(6)	32,985	252,009	97.3			252,009	97.3	366,580	618,589
San Francisco Bay Total	**47,831**	**414,617**	**94.4**			**414,617**	**94.4**	**366,580**	**781,197**
Los Angeles									
One Wilshire campus									
LA1*	26,981	139,053	88.2			139,053	88.2		139,053
LA2	23,455	203,131	90.0	51,212	63.4	254,343	84.6	170,547	424,890
Los Angeles Total	**50,436**	**342,184**	**89.3**	**51,212**	**63.4**	**393,396**	**85.9**	**170,547**	**563,943**
Northern Virginia									
VA1	28,922	201,719	92.5			201,719	92.5		201,719
VA2	6,149	69,010	100.0	23,163	80.0	92,173	95.0	96,274	188,447
DC1*	3,244	22,137	89.4			22,137	89.4		22,137
Northern Virginia Total	**38,315**	**292,866**	**94.0**	**23,163**	**80.0**	**316,029**	**93.0**	**96,274**	**412,303**
Boston									
BO1	14,959	166,026	97.6			166,026	97.6	87,650	253,676
Chicago									
CH1	16,199	166,776	91.8	11,631	80.2	178,407	91.1		178,407
New York									
NY1*	5,892	48,404	77.3			48,404	77.3		48,404
NY2	6,900	52,339	94.9	49,404	40.4	101,743	68.5	134,508	236,251
New York Total	**12,792**	**100,743**	**86.4**	**49,404**	**40.4**	**150,147**	**71.3**	**134,508**	**284,655**
Miami									
MI1	1,860	30,176	82.2			30,176	82.2	13,154	43,330
Denver									
DE1*	1,134	5,878	93.0			5,878	93.0		5,878
DE2*	384	5,140	86.6			5,140	86.6		5,140
Denver Total	**1,518**	**11,018**	**90.0**			**11,018**	**90.0**		**11,018**
Total Data Center	**$ 183,910**	**1,524,406**	**92.5%**	**135,410**	**59.3%**	**1,659,816**	**89.7%**	**868,713**	**2,528,529**

Office and Light-Industrial(7)		**7,180**	**354,721**	**72.6**			**354,721**	**72.6**		**354,721**
Total Portfolio	**$**	**191,090**	**1,879,127**	**88.7%**	**135,410**	**59.3%**	**2,014,537**	**86.7%**	**868,713**	**2,883,250**

* Indicates properties in which we hold a leasehold interest.

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(1)
Represents NRSF at each operating facility that is currently occupied or readily available for lease as data center space and pre-stabilized data center space. Both occupied and available data center NRSF includes a factor based on management's estimate to account for a customer's proportionate share of the required data center support space (such as the mechanical, telecommunications and utility rooms) and building common areas, which may be updated on a periodic basis to reflect the most current build-out of our properties. Operating data center NRSF may require investment of Deferred Expansion Capital, see definition on page 11.

(2)
Pre-stabilized NRSF represents projects or facilities that recently have been developed and are in the initial lease-up phase. Pre-stabilized projects or facilities become stabilized operating properties at the earlier of achievement of 85% occupancy or 24 months after development completion.

(3)
Represents incremental data center capacity currently vacant in existing facilities that requires significant capital investment in order to develop into data center facilities. Includes NRSF under construction for which substantial activities are ongoing to prepare the property for its intended use following development. The NRSF reflects management's estimate of engineering drawings and required support space and is subject to change based on final demising of space.

(4)
Represents the monthly contractual rent under existing commenced customer leases as of December 31, 2015, multiplied by 12. This amount reflects total annualized base rent before any one-time or non-recurring rent abatements and excludes power revenue, interconnection revenue and operating expense reimbursement. On a gross basis, our total portfolio annualized rent was approximately $196.6 million as of December 31, 2015, which reflects the addition of $5.5 million in operating expense reimbursements to contractual net rent under modified gross and triple-net leases. See footnote (6) below for more information regarding annualized rent for the Santa Clara campus.

(5)
Includes customer leases that have commenced and are occupied as of December 31, 2015. The percent occupied is determined based on leased square feet as a proportion of total operating NRSF as of December 31, 2015. The percent occupied for stabilized data center space would have been 93.4%, rather than 92.5%, if all leases signed in the current and prior periods had commenced. The percent occupied for our total portfolio, including stabilized data center space, pre-stabilized space and office and light-industrial space, would have been 87.6%, rather than 86.7%, if all leases signed in current and prior periods had commenced.

(6)
The annualized rent for the Santa Clara campus includes amounts associated with a restructured lease agreement involving a customer that has vacated its leased space and is paying discounted rent payments that may be applied to new lease arrangements elsewhere in our portfolio on a dollar-for-dollar basis until the original lease terms expire. The amounts payable pursuant to this agreement are scheduled to expire as follows: $1.9 million in the second quarter of 2016 and $4.2 million in the second quarter of 2017.

(7)
Represents space that is currently occupied or readily available for lease as space other than data center space, which typically is offered for office or light-industrial uses.

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Our ("Same-Store") statistics are based on space within each data center facility that was leased or available to be leased as of December 31, 2013, excluding space for which development was completed and became available to be leased after December 31, 2013. We track Same-Store space leased or available to be leased at the computer room level within each data center facility. The following table shows the December 31, 2015, Same-Store operating statistics. For comparison purposes, the operating activity totals as of December 31, 2014, and 2013, for this space are provided at the bottom of this table.

		Same-Store Property Portfolio (in NRSF)					
		Data Center		Office and Light-Industrial		Total	
Market/Facilities	**Annualized Rent ($000)(1)**	**Total**	**Percent Occupied(2)**	**Total**	**Percent Occupied(2)**	**Total**	**Percent Occupied(2)**
San Francisco Bay							
SV1	$ 11,863	85,932	84.9%	234,238	74.5%	320,170	77.3%
SV2	8,086	76,676	95.8			76,676	95.8
Santa Clara campus(3)	33,006	252,009	97.3	712	84.3	252,721	97.2
San Francisco Bay Total	**52,955**	**414,617**	**94.4**	**234,950**	**74.6**	**649,567**	**87.2**
Los Angeles							
One Wilshire campus							
LA1*	27,155	139,053	88.2	4,373	84.8	143,426	88.1
LA2	20,513	201,090	89.9	7,029	96.9	208,119	90.1
Los Angeles Total	**47,668**	**340,143**	**89.2**	**11,402**	**92.3**	**351,545**	**89.3**
Northern Virginia							
VA1	30,019	201,719	92.5	61,050	83.3	262,769	90.3
DC1*	3,244	22,137	89.4			22,137	89.4
Northern Virginia Total	**33,263**	**223,856**	**92.2**	**61,050**	**83.3**	**284,906**	**90.3**
Boston							
BO1	15,242	166,026	97.6	19,495	63.6	185,521	94.1
Chicago							
CH1	14,750	166,776	91.8	4,946	69.9	171,722	91.2
New York							
NY1*	5,904	48,404	77.3	209	100.0	48,613	77.4
NY2	2,184	18,103	92.1			18,103	92.1
New York Total	**8,088**	**66,507**	**81.3**	**209**	**100.0**	**66,716**	**81.4**
Miami							
MI1	1,882	30,176	82.2	1,934	57.1	32,110	80.7
Denver							
DE1*	891	4,726	91.3			4,726	91.3
DE2*	384	5,140	86.6			5,140	86.6
Denver Total	**1,275**	**9,866**	**88.9**			**9,866**	**88.9**
Total Facilities at December 31, 2015(4)	**$ 175,123**	**1,417,967**	**92.0%**	**333,986**	**76.0%**	**1,751,953**	**88.9%**

Total Facilities at December 31, 2014	**$ 155,334**	**85.5%**	**72.5%**	**82.8%**
Total Facilities at December 31, 2013	**$ 136,470**	**77.7%**	**71.9%**	**76.5%**

* Indicates properties in which we hold a leasehold interest.

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(1) Represents the monthly contractual rent under existing commenced customer leases as of each respective period, multiplied by 12. This amount reflects total annualized base rent before any one-time or non-recurring rent abatements and excludes power revenue, interconnection revenue and operating expense reimbursement.

(2) Includes customer leases that have commenced and are occupied as of each respective period. The percent occupied is determined based on leased square feet as a proportion of total operating NRSF.

(3) The annualized rent for the Santa Clara campus includes amounts associated with a restructured lease agreement involving a customer that has vacated its leased space and is paying discounted rent payments that may be applied to new lease arrangements elsewhere in our portfolio on a dollar-for-dollar basis until the original lease terms expire. The amounts payable pursuant to this agreement are scheduled to expire as follows: $1.9 million in the second quarter of 2016 and $4.2 million in the second quarter of 2017.

(4) The percent occupied for data center space, office and light-industrial space, and total space would have been 92.9%, 76.4% and 89.8%, respectively, if all leases signed in the current and prior periods had commenced.

Same-Store annualized rent increased to $175.1 million at December 31, 2015, compared to $155.3 million at December 31, 2014. The increase of $19.8 million in annualized rent is due primarily to a 10.1% increase in data center occupancy in the Northern Virginia market, a 7.0% increase in data center occupancy in the Los Angeles market and the new and restructured lease agreements at the Santa Clara campus involving a customer that has vacated its leased space and is paying discounted rent payments that may be applied to new lease arrangements elsewhere in our portfolio on a dollar-for-dollar basis until the original lease terms expire.

Capital Expenditures

The following table sets forth information regarding capital expenditures during the year ended December 31, 2015 (in thousands):

	Year Ended December 31, 2015	
Data center expansion	$	132,786
Non-recurring investments		9,971
Tenant improvements		8,037
Recurring capital expenditures		5,828
Total capital expenditures	**$**	**156,622**

During the year ended December 31, 2015, we incurred approximately $156.6 million of capital expenditures, of which approximately $132.8 million related to data center expansion activities, including new data center construction, the development of capacity within existing data centers and other revenue generating investments. As we construct data center capacity, we work to optimize both the amount of the capital we deploy on power and cooling infrastructure and the timing of that capital deployment; as such, we generally construct our power and cooling infrastructure supporting our data center NRSF based on our estimate of customer utilization. This practice can result in our investment at a later time in Deferred Expansion Capital. We define Deferred Expansion Capital as our estimate of the incremental capital we may invest in the future to add power or cooling infrastructure to support existing or anticipated future customer utilization of NRSF within our operating data centers.

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During the year ended December 31, 2015, we completed development of nine computer rooms placed into service at five properties. The following table sets forth capital expenditures spent on data center NRSF placed into service or under construction during the year ended December 31, 2015:

Property	Data Center Expansion	NRSF Placed into Service	NRSF Under Construction
BO1	$ 9,160		14,031
CH1	6,249	11,631	
LA2	7,592	17,501	43,345
NY2	12,928	49,050	
SV6	16,899		136,580
SV7	23,508		80,000
VA2	35,282	92,173	96,274
Other	21,168	3,194	
Total	**$ 132,786**	**173,549**	**370,230**

During the year ended December 31, 2015, we incurred approximately $10.0 million in non-recurring investments, of which $4.3 million is a result of internal IT software development and the remaining $5.7 million is a result of other non-recurring investments, such as remodel or upgrade projects.

During the year ended December 31, 2015, we incurred approximately $8.0 million in tenant improvements, of which $2.5 million relates to two customer leases at our VA1 property and the remaining $5.5 million relates to other tenant improvements at various properties.

During the year ended December 31, 2015, we incurred approximately $5.8 million of recurring capital expenditures within our portfolio for required equipment upgrades that have a future economic benefit.

Customer Diversification

The following table sets forth information regarding the ten largest customers in our portfolio based on total portfolio annualized rent as of December 31, 2015:

	Customer Industry	CoreSite Vertical	Number of Locations	Total Occupied NRSF(1)	Percentage of Total Operating NRSF(2)	Annualized Rent ($000)(3)	Percentage of Total Annualized Rent(4)	Weighted Average Remaining Lease Term in Months(5)
1	Technology	Cloud	9	146,118	7.3%	$ 10,238	5.4%	48
2	Technology	Enterprise SI & MSP	3	63,348	3.1	8,743	4.6	37
3	Technology(6)	Enterprise Digital Content	10	71,555	3.6	6,404	3.3	5
4	Technology	Enterprise Digital Content	2	31,974	1.6	5,504	2.9	28
5	Technology	Cloud	2	70,630	3.5	4,514	2.4	77
6	Technology	Network	5	28,078	1.4	4,254	2.2	40
7	Technology	Enterprise SI & MSP	2	20,032	1.0	4,246	2.2	18
8	Technology	Cloud	1	28,923	1.4	4,230	2.2	34
9	Government*	Enterprise Other	1	130,960	6.5	3,895	2.0	85
10	Technology	Enterprise Digital Content	6	36,634	1.8	3,354	1.8	40
	Total/Weighted Average(7)			628,252	31.2%	$ 55,382	29.0%	40

* Denotes customer using space for general office purposes.

(1) Total occupied NRSF is determined based on contractually leased square feet for leases that have commenced on or before December 31, 2015. We calculate occupancy based on factors in addition to contractually leased square feet, including

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required data center support space (such as the mechanical, telecommunications and utility rooms) and building common areas.

(2) Represents the customer's total occupied square feet divided by the total operating NRSF in the portfolio which, as of December 31, 2015, consisted of 2,014,537 NRSF.

(3) Represents the monthly contractual rent under existing commenced customer leases as of December 31, 2015, multiplied by 12. This amount reflects total annualized base rent before any one-time or non-recurring rent abatements and excludes power revenue, interconnection revenue and operating expense reimbursement.

(4) Represents the customer's total annualized rent divided by the total annualized rent as of December 31, 2015, which was approximately $191.1 million.

(5) Weighted average based on percentage of total portfolio annualized rent expiring calculated as of December 31, 2015.

(6) Management is currently negotiating renewal leases with this customer at all locations. It is anticipated that the lease negotiations will be finalized at some of the locations during 2016 and that other locations will be vacated.

(7) In addition to the ten largest customers, total annualized rent includes $6.1 million associated with a restructured lease agreement involving a customer at the Santa Clara campus that has vacated its leased space and is paying discounted rent payments that may be applied to new lease arrangements elsewhere in our portfolio on a dollar-for-dollar basis until the original lease terms expire. The amounts payable pursuant to this agreement are scheduled to expire as follows: $1.9 million in the second quarter of 2016 and $4.2 million in the second quarter of 2017.

Lease Expirations

The following table sets forth a summary schedule of the expirations for leases in place as of December 31, 2015, plus unoccupied space, for each of the five full calendar years beginning January 1, 2016, at the properties in our portfolio (excluding space held for development or under construction). The information set forth in the table assumes that customers exercise no renewal options or early termination rights.

Year of Lease Expiration	Number of Leases Expiring(1)	Total Operating NRSF of Expiring Leases	Percentage of Total Operating NRSF	Annualized Rent ($000)(2)	Percentage of Total Annualized Rent	Annualized Rent Per Leased NRSF(3)	Annualized Rent at Expiration ($000)(4)	Annualized Rent Per Leased NRSF at Expiration(5)
Unoccupied data center		170,205	8.4%	$	%	$	$	$
Unoccupied office and light-industrial		97,107	4.8					
2016	741	322,416	16.0	45,588	23.8	136	45,915	137
2017	537	281,288	14.0	50,262	26.3	164	52,345	171
2018	291	295,395	14.7	40,057	21.0	136	46,200	156
2019	80	183,969	9.1	16,384	8.6	89	19,430	106
2020	37	100,112	5.0	8,641	4.5	86	12,285	123
2021 Thereafter	43	306,431	15.2	22,978	12.0	75	31,506	103
Office and light-industrial(6)	101	257,614	12.8	7,180	3.8	28	7,555	29
Portfolio Total / Weighted Average	**1,830**	**2,014,537**	**100.0%**	**$ 191,090**	**100.0%**	**$ 106**	**$ 215,236**	**$ 120**

(1) Includes leases that upon expiration will automatically renew, primarily on a year-to-year basis. Number of leases represents each agreement with a customer; a large agreement could include multiple spaces and a customer could have multiple leases.

(2)

Represents the monthly contractual rent under existing commenced customer leases as of December 31, 2015, multiplied by12. This amount reflects total annualized base rent before any one-time or non-recurring rent abatements and excludes power revenue, interconnection revenue and operating expense reimbursement.

(3)

The annualized rent per leased NRSF and per leased NRSF at expiration does not include annualized rent of $6.1 million associated with a restructured lease agreement involving a customer at the Santa Clara campus

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that has vacated its leased space and is paying discounted rent payments that may be applied to new lease arrangements elsewhere in our portfolio on a dollar-for-dollar basis until the original lease terms expire. The amounts payable pursuant to this agreement are scheduled to expire as follows: $1.9 million in the second quarter of 2016 and $4.2 million in the second quarter of 2017.

(4)

Represents the final monthly contractual rent under existing customer leases as of December 31, 2015, multiplied by 12. This amount reflects total annualized base rent before any one-time or non-recurring rent abatements and excludes operating expense reimbursement, power revenue and interconnection revenue.

(5)

Annualized rent at expiration as defined above, divided by the square footage of leases expiring in the given year. This metric reflects the rent growth inherent in the existing base of lease agreements.

(6)

Of the occupied office and light industrial leases, 39,357 NRSF, 13,882 NRSF, 12,598 NRSF, 31,640 NRSF, 4,937 NRSF and 155,200 NRSF are scheduled to expire in 2016, 2017, 2018, 2019, 2020 and 2021 and thereafter, respectively, which accounts for (in thousands) $989, $365, $423, $798, $166 and $4,439 of annualized rent scheduled to expire during each respective period.

Lease Distribution

The following table sets forth information relating to the distribution of leases in the properties in our portfolio, based on NRSF (excluding space held for development or under construction) under lease as of December 31, 2015:

NRSF Under Lease(1)	Number of Leases(2)	Percentage of All Leases	Total Operating NRSF of Leases	Percentage of Total Operating NRSF	Annualized Rent ($000)(3)	Percentage of Total Annualized Rent
Unoccupied data center		%	170,205	8.4%	$	%
Unoccupied office and light-industrial			97,107	4.8		
Data center NRSF:						
5,000 or less	1,659	90.6	590,448	29.4	93,553	49.0
5,001 - 10,000	31	1.7	205,753	10.2	26,080	13.6
10,001 - 25,000	20	1.1	290,286	14.4	36,444	19.0
Greater than 25,000	3	0.2	105,532	5.2	11,239	5.9
Powered shell and other(4)	16	0.9	297,592	14.8	16,594	8.7
Office and light-industrial	101	5.5	257,614	12.8	7,180	3.8
Portfolio Total	**1,830**	**100.0%**	**2,014,537**	**100.0%**	**$ 191,090**	**100.0%**

(1)

Represents all leases in our portfolio, including data center and office and light-industrial leases.

(2)

Number of leases represents each agreement with a customer; a lease agreement could include multiple spaces and a customer could have multiple leases.

(3)

Represents the monthly contractual rent under existing commenced customer leases as of December 31, 2015, multiplied by 12. This amount reflects total annualized base rent before any one-time or non-recurring rent abatements and excludes power revenue, interconnection revenue and operating expense reimbursement.

(4)

The annualized rent for powered shell and other includes $6.1 million associated with a restructured lease agreement involving a customer at the Santa Clara campus that has vacated its leased space and is paying discounted rent payments that may be applied to new lease arrangements elsewhere in our portfolio on a dollar-for-dollar basis until the original terms expire. The amounts payable pursuant to this agreement are scheduled to expire as follows: $1.9 million in the second quarter of 2016 and $4.2 million in the second quarter of 2017.

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Competition

We compete with numerous developers, owners and operators of technology-related real estate and data centers, many of which own properties similar to ours in the same markets in which our properties are located, including AT&T Inc., CenturyLink Inc., Savvis, Inc., a CenturyLink company, CyrusOne, Inc., Digital Realty Trust, Inc., DuPont Fabros Technology, Inc., Equinix, Inc., Internap Network Services Corporation, Quality Technology Services, RagingWire Data Centers, SABEY Corporation, Verizon / Terremark Worldwide, Inc., Shaw Communications Inc. / ViaWest, Inc., and Zayo Inc. In addition, we may face competition from new entrants into the data center market. Some of our competitors and potential competitors may have significant advantages over us, including greater name recognition, longer operating histories, pre-existing relationships with current or potential customers, significantly greater financial, marketing and other resources, and access to less expensive power, all of which could allow them to respond more quickly to new or changing opportunities. If our competitors offer space, power and/or interconnection services at rates below current market rates, or below the rates we currently charge our customers, we may lose potential customers and we may be pressured to reduce our rental rates below those we currently charge in order to retain customers when our customers' leases expire.

As a developer of data center space and provider of interconnection services, we also compete for the services of key third-party providers of services, including engineers and contractors with expertise in the development of data centers. The competition for the services of specialized contractors and other third-party providers required for the development of data centers is intense, increasing the cost of engaging such providers and the risk of delays in completing our development projects.

In addition, we face competition from real estate developers in our sector and in other industries for the acquisition of additional properties suitable for the development of data centers. Such competition may reduce the number of properties available for acquisition, increase the price of these properties and reduce the demand for data center space in the markets we seek to serve.

Regulation

General

Data centers in our markets are subject to various laws, ordinances and regulations, including regulations relating to common areas. We believe that each of our properties has the necessary permits and approvals to operate our business.

Americans with Disabilities Act

Our properties must comply with Title III of the American with Disabilities Act, or the ADA, to the extent that such properties are places of "public accommodation" or "commercial facilities" as defined by the ADA. The ADA requires properties that are places of "public accommodation" to, among other things, remove existing barriers to access by persons with disabilities where such removal is readily achievable. The ADA also requires places of "public accommodation" as well as "commercial facilities" undergoing new construction or alterations to conform to the ADA Accessibility Guidelines, which provide design standards that permit accessibility by individuals with disabilities. Further, if entities on our properties offer certain examinations or courses (i.e., those related to applications, licensing, certification, or credentialing for secondary or postsecondary education, professional, or trade purposes), they must be offered in an accessible place and manner or with alternative accessible arrangements. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to those properties to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of monetary damages and civil penalties in lawsuits brought by the Attorney General or an award of attorneys' fees to private litigants. The obligation to make readily achievable accommodations as

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required by the ADA is an ongoing one, and we will continue to assess our properties and make alterations as appropriate.

Environmental Matters

Under various federal, state and local laws and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at that property, and may be required to investigate and clean up such contamination at that property or emanating from that property. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and a party may be liable for all of the cleanup costs, even when more than one person was responsible for the contamination. Previous owners used some of our properties for industrial and retail purposes, so those properties may contain some level of environmental contamination. The presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability or materially adversely affect our ability to sell, lease or develop the real estate or to borrow using the real estate as collateral. In addition, we could incur costs to comply with such laws and regulations, the violation of which could lead to substantial fines and penalties.

Environmental laws and regulations also require that asbestos-containing building materials be properly managed and maintained and may impose fines and penalties on building owners or operators for failure to comply with these requirements. Further, third parties could potentially seek recovery from owners or operators for personal injury associated with exposure to asbestos-containing building materials.

In addition, certain of our customers, particularly those that lease light-industrial space from us, routinely handle hazardous substances and wastes as part of their operations at our properties. Environmental laws and regulations subject our customers, and potentially us, to liability resulting from these activities or from previous industrial or other uses of those properties. Environmental liabilities could also affect a customer's ability to make rental payments to us. We require our customers to comply with these environmental laws and regulations and to indemnify us for any related liabilities.

Independent environmental consultants have conducted Phase I or similar environmental site assessments on all owned properties in our portfolio. Each of the site assessments has been either completed or updated since 2005. Site assessments are intended to collect and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments do not generally include soil sampling, subsurface investigations or asbestos sampling. Although prior commercial or industrial operations at some of our properties may have released hazardous materials and some of our properties contain or may contain asbestos-containing building materials, none of the recent site assessments revealed any past or present environmental liability that we believe would have a material adverse effect on our business, assets or results of operations. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the reviews were completed or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability. See "Risk Factors Risks Related to Our Business and Operations Environmental problems are possible and can be costly."

Insurance

We carry comprehensive liability, fire, extended coverage, earthquake, business interruption, rental loss, and umbrella liability insurance covering all of the properties in our portfolio augmented by excess liability coverage in an amount that we believe to be appropriate. We select policy specifications and insured limits which we believe to be appropriate given the relative risk of loss, the cost of the coverage and industry practice and, in the opinion of our management, the properties in our portfolio are currently adequately insured. We do not carry insurance for generally uninsured losses such as loss from riots, war or acts of God. In addition, we carry earthquake insurance on our properties in an amount and with deductibles which we believe are commercially reasonable. Certain of the properties in our portfolio are located in areas believed to be seismically active. Potential losses to our properties may not be covered by insurance or may exceed our policy coverage limits. See "Risk Factors Risks Related to Our Business and Operations Potential losses to our properties may not be covered by insurance or may exceed our policy coverage limits" in Item 1A. of this Annual Report.

Employees

As of December 31, 2015, we had 391 full-time and part-time employees, of which 202 employees are salaried with the remainder paid on an hourly basis. None of our employees is a member of a labor union and we believe that our relations with employees are good.

Offices

Our corporate offices are located at 1001 17th Street, Suite 500, Denver, CO 80202.

How to Obtain Our SEC Filings

All reports we file with the SEC are available free of charge via EDGAR through the SEC website at www.sec.gov. In addition, the public may read and copy materials we file with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. We also provide copies of our Forms 8-K, 10-K, 10-Q, Proxy Statement, Annual Report and amendments to those documents at no charge to investors upon request and make electronic copies of such reports available through our website at www.coresite.com as soon as reasonably practicable after filing such material with the SEC. The information found on, or otherwise accessible through, our website is not incorporated by reference into, nor does it form a part of, this Annual Report on Form 10-K, or any other document that we file with the SEC.

Financial Information

We manage our business as one reportable segment consisting of investments in data centers located in the United States. For required financial information related to our operations and assets, please refer to our consolidated financial statements, including the notes thereto, included in Item 8. "Financial Statements and Supplementary Data" in this Annual Report.

ITEM 1A. RISK FACTORS

Any of the following risks could materially and adversely affect our business, results of operations or financial condition. The risks and uncertainties described below are those that we currently believe may materially affect our Company. Additional risks and uncertainties of which we are unaware or that we currently deem immaterial also may become important factors that affect our Company.

Risks Related to Our Business and Operations

Global economic conditions could adversely affect our liquidity and financial condition.

General economic conditions and the cost and availability of capital may be adversely affected in some or all of the markets in which we own properties and conduct our operations. Instability in the U.S., European and other international financial markets and economies may adversely affect our ability, and the ability of our tenants, to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our, and our tenants' financial condition and results of operations.

In addition, our access to funds under our revolving credit facility and other lines of credit we may enter into depend on the ability of the lenders that are parties to such facilities to meet their funding commitments to us. We cannot assure you that long-term disruptions in the global economy and the return of tighter credit conditions, and potential failures or nationalizations of, third party financial institutions as a result of such disruptions will not have an adverse effect on our lenders. If our lenders are not able to meet their funding commitments to us, our business, results of operation, cash flows and financial condition could be adversely affected.

If we do not have sufficient cash flow to continue operating our business and are unable to borrow additional funds, access our existing lines of credit or raise equity or debt capital, we may need to find alternative ways to increase our liquidity. Such alternatives may include, without limitation, curtailing development activity, disposing of one or more of our properties possibly on disadvantageous terms or entering into or renewing leases on less favorable terms than we otherwise would.

Our portfolio of properties consists primarily of data centers geographically concentrated in certain markets and any adverse developments in local economic conditions or the demand for data center space in these markets may negatively impact our operating results.

Our portfolio of properties consists of data centers geographically concentrated in Los Angeles, the San Francisco Bay and Northern Virginia areas (including Washington D.C.), Chicago, Boston, the New York area, Miami and Denver. These markets comprised 27.4%, 26.0%, 20.8%, 8.8%, 8.2%, 7.0%, 1.0%, and 0.8%, respectively, of our annualized data center rent as of December 31, 2015. As such, we are susceptible to local economic conditions and the supply of and demand for data center space in these markets. If there is a downturn in the economy or an oversupply of or decrease in demand for data centers in these markets, our business could be materially adversely affected to a greater extent than if we owned a real estate portfolio that was more diversified in terms of both geography and industry focus.

The market price of our stock may continue to be highly volatile, and the value of an investment in our common stock may decline.

During the year ended December 31, 2015, the closing sale price of our common stock on the New York Stock Exchange ("NYSE") has ranged from $40.31 to $60.10 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. General economic and market conditions, and market conditions for telecommunications and real estate stocks in general, may affect the market price of our common stock.

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Announcements by us or others, or speculations about our future plans, may also have a significant impact on the market price of our common stock. These may relate to:

- our operating results or forecasts;
- new issuances of equity, debt or convertible debt by us;
- changes to our capital allocation or business strategy;
- developments in our relationships with our customers;
- announcements by our customers or competitors;
- changes in regulatory policy or interpretation;
- governmental investigations;
- litigation;
- changes in the ratings of our debt or stock by rating agencies or securities analysts;
- our purchase or development of real estate and/or additional data centers;
- overall market demand for data center space and services;
- changes in prices for utilities, connectivity and other services we provide;
- personnel changes;
- changes in customers' budgets for information technology services;
- our acquisitions of complementary businesses or dispositions of properties; or
- the operational performance of our data centers.

The stock market has from time to time experienced extreme price and volume fluctuations, which have particularly affected the market prices for emerging telecommunications and real estate companies, and which have often been unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock.

We may be vulnerable to security breaches and cyber-attacks which could disrupt our operations and have a material adverse effect on our financial performance and operating results.

A party who is able to compromise the security measures on our networks or the security of our infrastructure could misappropriate our proprietary information and the personal information of our customers and employees and cause interruptions or malfunctions in our or our customers' operations. We may be required to expend significant financial resources to protect against such threats or to alleviate problems caused by security breaches. As techniques used to breach security are growing in frequency and sophistication and are generally not recognized until launched against a target, we may not be able to implement security measures in a timely manner or, if and when implemented, these measures could be circumvented. Any breaches that may occur could expose us to increased risk of lawsuits, loss of existing or potential future customers, harm to our reputation and increases in our security costs, which could have a material adverse effect on our financial performance and operating results.

Our properties depend upon the demand for technology-related real estate.

Our portfolio of properties consists primarily of technology-related real estate and data center facilities in particular. A decrease in the demand for data center space, Internet gateway facilities or other technology-related real estate would have a greater adverse effect on our business and financial

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condition than if we owned a portfolio with a more diversified tenant base or less specialized use. Our substantial development activities make us particularly susceptible to general economic slowdowns, including recessions, as well as adverse developments in the corporate data center, Internet and data communications and broader technology industries. Any such slowdown or adverse development could lead to reduced corporate IT spending or reduced demand for data center space. Reduced demand could also result from business relocations, including to markets that we do not currently serve. Changes in industry practice or in technology, such as virtualization technology, more efficient or miniaturization of computing or networking devices, or devices that require higher power densities than today's devices, could also reduce demand for the physical data center space and infrastructure we provide or make the tenant improvements in our facilities obsolete or in need of significant upgrades to remain viable. The development of new technologies, the adoption of new industry standards or other factors could render many of our customers' current products and services obsolete or unmarketable and contribute to a downturn in their businesses, thereby increasing the likelihood that they default under their leases, become insolvent or file for bankruptcy. In addition, existing initiatives relating to the formation of Internet exchange alternatives could have a negative effect on the demand for and pricing of the subset of our interconnection revenue relating to Internet exchanges.

Our products and services have a long sales cycle that may harm our revenues and operating results.

A customer's decision to license space in one of our data centers and to purchase additional services typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in our data centers until they are confident that the data center has adequate carrier connections. As a result, we have a long sales cycle. Furthermore, we may expend significant time and resources in pursuing a particular sale or customer that ultimately does not result in revenue.

An economic downturn may further impact this long sales cycle by making it extremely difficult for customers to accurately forecast and plan future business activities. This could cause customers to slow spending or delay decision-making on our products and services, which would delay and lengthen our sales cycle.

Delays due to the length of our sales cycle may materially and adversely affect our revenues and operating results, which could harm our ability to meet our financial forecasts for a given quarter and cause volatility in our stock price.

Our interconnection and value-add power services depend on establishing highly evolved customer ecosystems and we may not be able to establish those ecosystems within a particular market.

One of our corporate objectives is to increase the volume of higher margin interconnection services and value-add power services, as well as to increase rental rates, by developing highly evolved ecosystems comprised of cross-connected customers within each market. We have attained varying levels of success in developing these customer ecosystems across our markets. While we believe that we are able to attract network and cloud deployments and to grow the customer ecosystem to some degree in all markets, it may be difficult in some markets to develop ecosystems on the scale of our most highly evolved interconnected ecosystems due to the presence of incumbent interconnection and network-dense data centers in those markets. Our ability to establish highly interconnected data centers in certain markets may be further negatively impacted by industry consolidation. If we are unable to establish highly evolved customer ecosystems within a particular market, we may have difficulty increasing the volume of higher margin interconnection services and value-add power services within that market to levels that are comparable to our most highly evolved interconnected ecosystems, which may have a material adverse effect on our financial condition and results of operations.

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Our data center infrastructure may become obsolete and we may not be able to upgrade our power and cooling systems cost-effectively or at all.

The markets for the data centers that we own and operate, as well as the industries in which our customers operate, are characterized by rapidly changing technology, evolving industry standards, frequent new product introductions and changing customer demands. Our ability to deliver technologically sophisticated power and cooling is a significant factor in our customers' decisions to lease space in our data centers. Our data center infrastructure may become obsolete due to the development of new systems that deliver power to, or eliminate heat from, the servers and other customer equipment that we house. Additionally, our data center infrastructure could become obsolete as a result of the development of new technology that requires levels of power and cooling that our facilities are not designed to provide. Our power and cooling systems are also difficult and expensive to upgrade. Accordingly, we may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs that we may not be able to pass on to our customers. The obsolescence of our power and cooling systems would have a material adverse effect on our business. In addition, evolving customer demand could require services or infrastructure improvements that we do not provide or that would be difficult or expensive for us to provide in our current data centers, and we may be unable to adequately adapt our properties or acquire new properties that can compete successfully. We risk losing customers to our competitors if we are unable to adapt to this rapidly evolving marketplace.

Furthermore, potential future regulations that apply to industries we serve may require customers in those industries to seek specific requirements from their data centers that we are unable to provide. These may include physical security requirements applicable to the defense industry and government contractors and privacy and security regulations applicable to the financial services and health care industries. If such regulations were adopted, we could lose some customers or be unable to attract new customers in certain industries, which would have a material adverse effect on our results of operations.

Any failure of our physical infrastructure or services could lead to significant costs and disruptions that could reduce our revenues, harm our business reputation and have a material adverse effect on our financial results.

Our business depends on providing customers with highly reliable service. We may fail to provide such service as a result of numerous factors, including:

- human error;
- power loss;
- exposure to temperature, humidity, smoke and other environmental hazards;
- improper building maintenance by our landlords in the buildings that we lease;
- physical or electronic security breaches;
- fire, earthquake, hurricane, flood and other natural disasters;
- water damage;
- war, terrorism and any related conflicts or similar events worldwide; and
- sabotage and vandalism.

Problems at one or more of our data centers, whether or not within our control, could result in service interruptions or equipment damage. We provide service level commitments to substantially all of our customers. As a result, service interruptions or equipment damage in our data centers could result in billing abatements to these customers. In addition, although we have given such abatements to our customers in the past, there can be no assurance that our customers will accept these abatements as compensation in the future. Service interruptions and equipment failures may also expose us to additional legal liability and damage our brand image and reputation. Significant or frequent service interruptions could cause our customers to terminate or not renew their leases. In addition, we may be unable to attract new customers if we have a reputation for significant or frequent service disruptions in our data centers.

We depend on third parties to provide network connectivity within and between certain of our data centers, and any delays or disruptions in this connectivity may adversely affect our operating results and cash flow.

We depend upon carriers and other network providers to deliver network connectivity to customers within our data centers as well as the fiber network interconnection between our data centers. Our hub-and-spoke approach makes us dependent on these third parties to provide these services between our data centers. We cannot assure you that any network provider will elect to offer its services within new data centers that we develop or that once a network provider decides to provide connectivity to or between our data centers, it will continue to do so for any period of time. A significant interruption in or loss of these services could impair our ability to attract and retain customers and have a material adverse effect on our business.

Enabling connectivity within and between our data centers requires construction and operation of a sophisticated redundant fiber network. The construction required to connect our data centers is complex and may involve factors outside of our control, including the availability of construction resources. If highly reliable network connectivity within and between certain of our data centers is not established, is materially delayed, is discontinued or fails, our reputation could be harmed, which could have a material adverse effect on our ability to attract new customers or retain existing ones.

We are dependent upon third-party suppliers for power and certain other services, and we are vulnerable to service failures of our third-party suppliers and to price increases by such suppliers.

We rely on third parties to provide power to our data centers, and we cannot ensure that these third parties will deliver such power in adequate quantities or on a consistent basis. Since our properties have access to a finite amount of power, it may be inadequate to support our customer requirements and we may be unable to satisfy our obligations to our customers. As current and future customers increase their power usage in our facilities over time, the remaining available power for future customers could limit our ability to grow our business and increase occupancy rates or network density within our existing facilities. At certain of our data centers, our aggregate maximum contractual obligation to provide power and cooling to our customers may exceed the physical capacity at such data centers if customers were to quickly increase their demand for power and cooling. If we are not able to increase the available power and/or cooling or move the customer to another location within our data centers with sufficient power and cooling to meet such demand, we could lose the customer as well as be exposed to liability under our leases. Any such material loss of customers or material liability could adversely affect our results of operations.

In addition, our data centers are susceptible to power shortages and planned or unplanned power outages caused by these shortages. While we attempt to limit exposure to power shortages by using backup generators and batteries, power outages may last beyond our backup and alternative power arrangements, which would harm our customers and our business. In the past, a limited number of our customers have experienced temporary losses of power and/or cooling. Pursuant to the terms of some of our customer leases, continuous or chronic power or cooling outages may give certain of our tenants the right to terminate their leases or cause us to incur financial obligations in connection with a power or cooling loss. In addition, any loss of services or equipment damage could reduce the confidence of our customers in our services thereby impairing our ability to attract and retain customers, which would

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adversely affect both our ability to generate revenues and our operating results, and harm our reputation.

Furthermore, we may be subject to risks and unanticipated costs associated with obtaining power from various utility companies. Municipal utilities in areas experiencing financial distress may increase rates to compensate for financial shortfalls unrelated to either the cost of production or the demand for electricity. Other utilities that serve our data centers may be dependent on, and sensitive to price increases for a particular type of fuel, such as coal, oil or natural gas. In addition, the price of these fuels and the electricity generated from them could increase as a result of proposed legislative measures related to climate change including efforts to regulate carbon emissions and increase supply from more expensive renewable energy sources. In any of these cases, increases in the cost of power at any of our data centers would put those locations at a competitive disadvantage relative to data centers served by utilities that can provide less expensive power.

Declining real estate valuations and impairment charges could adversely affect our earnings and financial condition.

We periodically review each of our properties for indicators that its carrying amount may not be recoverable. Examples of such indicators may include a significant decrease in the market prices of similar properties, a significant adverse change in the extent or manner in which the property is being used or expected to be used based on the underwriting at the time of acquisition, or a change in its physical condition, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development, or a history of operating or cash flow losses. When such impairment indictors exist, we review an estimate of the future cash flows (excluding interest charges) expected to result from the real estate investment's use and eventual disposition and compare to the carrying value of the property. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our undiscounted net cash flow evaluation indicates that we are unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. Recording an impairment loss would result in an immediate negative adjustment to net income. The evaluation of estimated future cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A worsening real estate market may cause us to reevaluate the assumptions used in our impairment analysis. Impairment charges could adversely affect our financial condition, results of operations and the market price of our stock.

Potential losses to our properties may not be covered by insurance or may exceed our policy coverage limits.

We do not carry insurance for generally uninsured losses, such as acts of war. Our properties in our portfolio are subject to risks from earthquakes, tropical storms, hurricanes and floods. While we do carry earthquake, hurricane and flood insurance on our properties, the amount of our insurance coverage may not be sufficient to fully cover such losses. In addition, we may discontinue earthquake, hurricane or flood insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage relative to the risk of loss.

If we experience a loss which is uninsured or which exceeds our policy coverage limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties.

In addition, even if damage to our properties is covered by insurance, a disruption of our business caused by a casualty event may result in the loss of business or customers. We carry business interruption insurance, but such insurance may not fully compensate us for the loss of business or customers due to an interruption caused by a casualty event.

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While we monitor the solvency of our insurance carriers, it can be difficult to evaluate the stability and net assets or capitalization of insurance companies, and any insurer's ability to meet its claim payment obligations. A failure of an insurance company to make payments to us upon an event of loss covered by an insurance policy could have a material adverse effect on our business and financial condition.

To fund our growth strategy and refinance our indebtedness, we depend on external sources of capital, which may not be available to us on commercially reasonable terms or at all.

In order to maintain our qualification as a REIT, we are required under the Internal Revenue Code (the "Code") to distribute at least 90% of our net taxable income annually, determined without regard to the dividends paid deduction and excluding any net capital gains. We will also be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. These distribution requirements may limit our ability to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we intend to rely on third-party sources for debt or equity financing to fund our growth strategy. In addition, we may need external sources of capital to refinance our indebtedness at maturity. We may not be able to obtain such financing or refinancing on favorable terms or at all. Our access to third-party sources of capital depends, in part, on:

- general economic and financial market conditions;
- limited subset of lenders that have historically committed debt capital to REITs that own technology based real estate;
- the market's perception of our growth potential;
- our then current debt levels;
- our historical and expected future earnings, cash flow and cash distributions; and
- the market price per share of our capital stock.

In addition, our ability to access additional capital may be limited by the terms of our existing indebtedness, which restricts our incurrence of additional indebtedness. If we cannot obtain capital when needed, we may not be able to acquire or develop properties when strategic opportunities arise or refinance our debt at maturity, which could have a material adverse effect on our business.

Our level of indebtedness and debt service obligations could have adverse effects on our business.

As of December 31, 2015, we had total principal indebtedness of approximately $392.3 million and the ability to borrow up to an additional $201.4 million under our revolving credit facility, subject to satisfying certain financial and covenant tests. While there are limits in our revolving credit facility and senior unsecured term loans on the amount of debt that we may incur, and additional limits on our indebtedness may be imposed by future agreements or by a policy adopted by our board of directors, we have the ability to increase our indebtedness over current levels. A substantial increase in our indebtedness may have adverse consequences for our business, results of operations and financial condition because it could, among other things:

- require us to dedicate a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, thereby reducing our cash flow available to fund working capital, capital expenditures and other general corporate purposes, including to pay dividends on our common and preferred stock as currently contemplated or necessary to maintain our qualification as a REIT;

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- make it more difficult for us to satisfy our financial obligations, including borrowings under our revolving credit facility;
- increase our vulnerability to general adverse economic and industry conditions;
- expose us to increases in interest rates for our variable rate debt;
- limit our ability to borrow additional funds on favorable terms or at all to expand our business or ease liquidity constraints;
- limit our ability to refinance all or a portion of our indebtedness on or before maturity on the same or more favorable terms or at all;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a competitive disadvantage relative to competitors that have less indebtedness; and
- require us to dispose of one or more of our properties at disadvantageous prices or raise equity that may dilute the value of our common stock in order to service our indebtedness or to raise funds to pay such indebtedness at maturity.

The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The agreements governing our indebtedness contain covenants that place restrictions on us and our subsidiaries. These covenants may restrict, among other things, our and our subsidiaries' ability to:

- merge, consolidate or transfer all or substantially all of our or our subsidiaries' assets;
- incur additional debt or issue additional preferred stock, including use of our existing capacity under our revolving credit facility;
- make certain investments or acquisitions;
- create liens on our or our subsidiaries' assets;
- sell assets;
- make capital expenditures;
- pay dividends on or repurchase our capital stock;

- enter into transactions with affiliates;
- issue or sell stock of our subsidiaries; and
- change the nature of our business.

These covenants could impair our ability to grow our business, take advantage of attractive business opportunities or successfully compete. In addition, our revolving credit facility requires us to maintain specified financial ratios and satisfy financial condition tests. Our ability to comply with these ratios or tests may be affected by events beyond our control, including prevailing economic, financial and industry conditions. A breach of any of these covenants or covenants under any other agreements governing our indebtedness could result in an event of default. Cross-default provisions in our debt agreements could cause an event of default under one debt agreement to trigger an event of default under our other debt agreements. Upon the occurrence of an event of default under any of our debt agreements, the lenders could elect to declare all outstanding debt under such agreements to be immediately due and payable. If we were unable to repay or refinance the accelerated debt, the lenders could proceed against any assets pledged to secure that debt, including foreclosing on or requiring the sale of our data centers, and our assets may not be sufficient to repay such debt in full.

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Fluctuations in interest rates could materially affect our financial results.

Because a significant portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense. Based on our debt outstanding as of December 31, 2015, if interest rates were to increase by 1%, the corresponding increase in interest expense on our variable rate debt would decrease future earnings and cash flows by approximately $2.2 million per year. If the United States Federal Reserve increases short-term interest rates, this would have a significant upward impact on shorter-term interest rates, including the interest rates that our variable rate debt is based upon. Potential future increases in interest rates and credit spreads may increase our interest expense and therefore negatively affect our financial condition and results of operations, and reduce our access to the debt or equity capital markets.

Any hedging transactions involve costs and may limit our gains or result in material losses.

Hedging agreements enable us to convert floating rate liabilities to fixed rate liabilities or fixed rate liabilities to floating rate liabilities. We may use derivatives to hedge our liabilities from time to time. Any hedging transactions into which we enter could expose us to certain risks, including:

- losses on a hedge position reducing the cash available for distribution to stockholders and such losses exceeding the amount invested in such instruments;
- counterparties to a hedging arrangement defaulting on their obligations;
- paying certain fees, such as transaction or brokerage fees; and
- incurring costs if we elect to terminate a hedging agreement early.

As of December 31, 2015, we are a party to a five-year interest rate swap agreement that effectively fixes the interest rate on $100 million of outstanding debt at approximately 3.23% per annum through February 3, 2019, and a five-year interest rate swap agreement that effectively fixes the interest rate on $75 million of outstanding debt at approximately 2.93% per annum through May 5, 2020.

Our growth depends on the successful development of our properties and any delays or unexpected costs associated with such projects may harm our growth prospects, future operating results and financial condition.

As of December 31, 2015, we had the ability to expand our operating data center square footage by approximately 869,000 NRSF, or 52%, as set forth in our development table in Item 1. Our growth depends upon the successful completion of the development of this space and similar projects in the future. Current and future development projects and expansion into new markets will involve substantial planning, allocation of significant company resources and certain risks, including risks related to financing, zoning, regulatory approvals, construction costs and delays. These projects will also require us to carefully select and rely on the experience of one or more general contractors and associated subcontractors during the construction process. Should a general contractor or significant subcontractor experience financial or other problems during the construction process, we could experience significant delays, increased costs to complete the project and other negative impacts to our expected financial returns. Site selection in current and expansion markets is also a critical factor in our expansion plans, and there may not be suitable properties available in our markets at a location that is attractive to our customers and has the necessary combination of access to multiple network providers, a significant supply of electrical power, high ceilings and the ability to sustain heavy floor loading. Furthermore, while we may prefer to locate new data centers adjacent to or in close proximity to our existing data centers, we may be limited by the size and location of suitable properties.

In addition, we will be subject to risks and, potentially, unanticipated costs associated with obtaining access to a sufficient amount of power from local utilities, including the need, in some cases, to develop utility substations on our properties in order to accommodate our power needs, constraints on the amount of electricity that a particular locality's power grid is capable of providing at any given time, and risks associated with the negotiation of long-term power contracts with utility providers. We cannot assure you that we will be able to successfully negotiate such contracts on acceptable terms or at all. Any inability to negotiate utility contracts on a timely basis or on acceptable financial terms or in volumes sufficient to supply the requisite power for our development properties would have a material negative impact on our growth and future results of operations and financial condition.

These and other risks could result in delays or increased costs or prevent the completion of our development projects, any of which could have a material adverse effect on our financial condition, results of operations, cash flows, the trading price of our common stock and our ability to satisfy our debt service obligations or pay dividends.

We may be unable to identify and complete acquisitions and successfully operate acquired properties.

We continually evaluate the market for available properties and may acquire data centers or properties suited for data center development when opportunities exist. Our ability to acquire properties on favorable terms and successfully develop and operate them involves significant risks including, but not limited to:

- we may be unable to acquire a desired property because of competition from other data center companies or real estate investors with more capital;
- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price of such property;
- we may be unable to realize the intended benefits from acquisitions or achieve anticipated operating or financial results;
- we may be unable to finance the acquisition on favorable terms or at all;
- we may underestimate the costs to make necessary improvements to acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations resulting in disruptions to our operations or diversion of our management's attention from our core business activities;
- acquired properties may be subject to tax reassessments, which may result in higher than expected real estate tax payments;
- we may not be able to access sufficient power on favorable terms or at all; and
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates.

In the past we have acquired properties that did not perform to our expectations and there can be no assurance that this will not happen again. If we are unable to successfully acquire, develop and operate data center properties, our ability to grow our business, compete and meet market expectations will be significantly impaired, which would have a material adverse effect on the price of our common stock.

We may be subject to unknown or contingent liabilities related to properties or businesses that we acquire for which we may have limited or no recourse against the sellers.

Assets and entities that we have acquired or may acquire in the future, including the properties contributed by the Funds or their affiliates, may be subject to unknown or contingent liabilities for which we may have limited or no recourse against the sellers. Unknown or contingent liabilities might

include liabilities for clean-up or remediation of environmental conditions, claims of customers, vendors or other persons dealing with the acquired entities, tax liabilities and other liabilities whether incurred in the ordinary course of business or otherwise. In the future we may enter into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of the transactions, in which event we would have no or limited recourse against the sellers of such properties. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification (including the indemnification by the Funds or their affiliates) is often limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses.

As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with acquired properties and entities may exceed our expectations, which may adversely affect our operating results and financial condition. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. While the sellers are generally contractually obligated to pay all losses and other expenses relating to such retained liabilities, there can be no guarantee that such arrangements will not require us to incur losses or other expenses as well.

Under the contribution agreement pursuant to which the Funds or their affiliates contributed the properties that comprise our portfolio to the Operating Partnership, each of the Funds or their affiliates made certain representations and warranties as to certain material matters related to the property being contributed by such fund or affiliate such as title to any owned property, compliance with laws (including environmental laws) and the enforceability of certain material customer contracts and leases. These representations and warranties made by the Funds or their affiliates have since expired without our becoming aware of any breach. Therefore, we have no further recourse against the contributors under the contribution agreement.

Our properties are not suitable for use other than as data centers, which could make it difficult to sell or reposition them if we are not able to lease available space and could materially adversely affect our business, results of operations and financial condition.

Our data centers are designed solely to house and run computer servers and related information technology equipment and, therefore, contain extensive electrical and mechanical systems and infrastructure. As a result, they are not suited for use by customers as anything other than as data centers and major renovations and expenditures would be required in order for us to re-lease vacant space for more traditional uses, or for us to sell a property to a buyer for use other than as a data center.

We are currently making significant investments in our back office information technology systems. Any difficulties or disruptions to these efforts may interrupt our normal operations, resulting in an adverse effect to our business, results of operations, financial condition or cash flows.

Beginning in 2012 and continuing beyond 2015, we have invested in a significant project to overhaul our back office information technology systems that support the customer experience from initial quote to customer billing through to accounting and financial reporting. Difficulties with our systems may adversely affect our business, results of operations, financial condition or cash flows and interrupt our ability to accept and deliver customer orders and impact our overall financial operations, including our accounts payable, accounts receivable, general ledger, financial close processes, internal financial controls, and our ability to otherwise account for, report and monitor our business. We may need to expend significant attention, time and resources to correct problems or find alternative sources for performing these functions. Such significant investments in our back office systems may take longer

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to complete and cost more than originally planned. In addition, we may not realize the full benefits we hoped to achieve and we may recognize additional impairment charges if we decide that portions of these information technology system projects will not ultimately benefit the Company or are de-scoped. During the years ended December 31, 2015, and 2014, we recognized a $0.3 million and $2.0 million impairment charge, respectively, as a result of internal-use software previously under development that was discontinued and will no longer be placed into service.

We are continuing to invest in our expansion efforts, but we may not have sufficient customer demand in the future to realize expected returns on these investments.

As part of our growth strategy, we intend to commit substantial operational and financial resources to develop new data centers and expand existing ones. However, we typically do not require pre-leasing commitments from customers before we develop or expand a data center, and we may not have sufficient customer demand to lease the new data center space when completed. Once development of a data center is complete, we incur a certain amount of operating expenses even if there are no tenants occupying the space. A lack of customer demand for data center space or excess capacity in the data center market could impair our ability to achieve our expected rate of return on our investment, which could have a material adverse effect on our financial condition, operating results and the market price of our common stock.

We face significant competition and may be unable to lease vacant space, renew existing leases or release space as leases expire, which may have a material adverse effect on our business and results of operations.

We compete with numerous developers, owners and operators of technology-related real estate and data centers, many of which own properties similar to ours in the same markets. In addition, we may face competition from new entrants into the data center market. Some of our competitors have significant advantages over us, including greater name recognition, longer operating histories, lower operating costs, pre-existing relationships with current or potential customers, greater financial, marketing and other resources, access to better networks and access to less expensive power. These advantages could allow our competitors to respond more quickly or effectively to strategic opportunities or changes in our industries or markets. If our competitors offer data center space that our existing or potential customers perceive to be superior to ours based on numerous factors, including cost and availability of power, security considerations, location or network connectivity, or if they offer rental rates below our current market rates, we may lose existing or potential customers, incur costs to improve our properties or be forced to reduce our rental rates. This risk is compounded by the fact that a significant percentage of our customer leases expire every year. For example, as of December 31, 2015, data center leases representing 23.8%, 26.3% and 21.0% of our total portfolio annualized rent will expire during 2016, 2017, and 2018, respectively. If the rental rates for our properties decrease, our existing customers do not renew their leases or we are unable to lease vacant data center space or re-lease data center space for which leases are scheduled to expire at or above current lease rates, our business and results of operations could be materially adversely affected.

Future consolidation in the technology industry could have a material adverse effect on our financial performance and operating results.

Mergers or consolidations of technology companies in the future could reduce the number of our customers and potential customers. In addition, our competitors may consolidate to improve their portfolios and products offered. Any of these developments could cause our customers to discontinue or reduce the use of our data centers in the future and could have a material adverse effect on our revenues and results of operations.

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We have government customers, which subjects us to risks including early termination, audits, investigations, sanctions and penalties.

We derive some revenues from contracts with the U.S. government, state and local governments and their respective agencies. Some of these customers may terminate all or part of their contracts at any time, without cause.

There is increased pressure for governments and their agencies to reduce spending. Some of our federal government contracts are subject to the approval of appropriations being made by the U.S. Congress to fund the expenditures under these contracts. Similarly, some of our contracts at the state and local levels are subject to government funding authorizations.

Additionally, government contracts are generally subject to audits and investigations which could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business.

A small number of customers account for a significant portion of our revenues, and the loss of any of these customers could significantly harm our business, financial condition and results of operations.

We currently depend, and expect to continue to depend, upon a relatively small number of customers for a significant percentage of our operating revenue. Our top ten customers accounted for an aggregate of approximately 29.0% of our total portfolio annualized rent as of December 31, 2015. Some of our customers may experience a downturn in their businesses or other factors that may weaken their financial condition and result in them failing to make timely rental payments, defaulting on their leases, reducing the level of interconnection services they obtain or the amount of space they lease from us or terminating their relationship with us. The loss of one or more of our significant customers or a significant customer exerting significant pricing pressure on us could also have a material adverse effect on our results of operations.

In addition, our largest customers may choose to develop new data centers or expand existing data centers of their own. In the event that any of our key customers were to do so, it could result in a loss of business to us or increase pricing pressure on us. If we lose a customer, there is no guarantee that we would be able to replace that customer at a comparative rental rate or at all.

Some of our largest customers may also compete with one another in various aspects of their businesses. The competitive pressures on our customers may have a negative impact on our operations. For instance, one customer could determine that it is not in that customer's interest to house mission-critical servers or other telecommunications or information technology equipment in a facility operated by the same company that relies on a key competitor for a significant part of its annual revenue. Our loss of a large customer for this or any other reason could have a material adverse effect on our results of operations.

Because we depend on the development and growth of a balanced customer base, including key customers, failure to attract, grow and retain this base of customers could harm our business and operating results.

Our ability to maximize operating revenues depends on our ability to develop and grow a balanced customer base, consisting of a variety of companies, including enterprises, cloud and IT service providers, digital content and multimedia providers, systems integrators and managed services providers and networks. We consider certain of these customers to be key in that they attract and assist in retaining other customers. The more balanced the customer base within each data center, the better we will be able to generate significant interconnection revenues, which in turn increases our overall operating revenues. Our ability to attract customers to our data centers will depend on a variety of factors, including the presence of multiple network carriers and cloud operators, the mix of products

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and services offered by us, the overall mix of customers, the presence of key customers attracting business through vertical market ecosystems, the data center's operating reliability and security and our ability to effectively market and sell our services. However, some of our customers may face competitive pressures and may ultimately not be successful or may be consolidated through merger or acquisition. If these customers do not continue to use our data centers it may be disruptive to our business. Finally, the uncertain economic climate may harm our ability to attract and retain customers if customers slow spending, or delay decision-making, on our products and services, or if customers begin to have difficulty paying us and we experience increased churn in our customer base. Any of these factors may hinder the development, growth and retention of a balanced customer base and adversely affect our business, financial condition and results of operations.

The bankruptcy or insolvency of a major tenant may adversely affect the income produced by our properties.

If any tenant becomes a debtor in a case under the federal Bankruptcy Code, we cannot evict the tenant solely because of the bankruptcy. In addition, the bankruptcy court might authorize the tenant to reject and terminate its lease with us. Our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. In either case, our claim for unpaid rent would likely not be paid in full. As of December 31, 2015, we had no material tenants in bankruptcy. Our revenues and cash available for distribution could be materially adversely affected if any of our significant tenants were to become bankrupt or insolvent, or suffer a downturn in their business, or fail to renew their lease or renew on terms less favorable to us than their current terms.

If we are unable to recruit or retain qualified personnel, our business could be harmed.

We must continue to identify, hire, train, and retain IT professionals, technical engineers, operations employees, and sales, marketing, finance and senior management personnel who maintain relationships with our customers and who can provide the technical, strategic and marketing skills required for our Company to grow. There is a shortage of qualified personnel in these fields, and we compete with other companies for the limited pool of talent. The failure to recruit and retain personnel, including, but not limited to, members of our executive team, could harm our business and our ability to grow our Company.

We do not own all of the buildings in which our data centers are located. Instead, we lease certain of our data center space and the ability to renew these leases could be a significant risk to our ongoing operations.

We do not own the buildings for five of our data centers and our business could be harmed if we are unable to renew the leases for these data centers at favorable terms or at all. The following table summarizes the remaining primary term and renewal rights associated with each of our leased properties:

Property	NRSF	Current Lease Term Expiration	Renewal Rights	Base Rent Increases at Renewal
NY1	48,613	Apr. 2023	2 × 5 years	FMR(1)
LA1	143,426	July 2022	3 × 5 years	103% of previous monthly base rent
DC1	22,137	May 2021	2 × 5 years	Greater of 103% of previous monthly base rent or 95% of FMR(1)
DE1	5,878	Oct. 2019	1 × 5 years	103% of previous monthly base rent
DE2	5,140	Dec. 2024	N/A	

(1) FMR represents "fair market rent" as determined by mutual agreement between landlord and tenant, or in the case of a disagreement, mutual agreement by third party appraisers.

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When the primary terms of our leases expire, we generally have the right to extend the terms of our leases as indicated above. For two of these leases, the rent will be determined based on the fair market value of rental rates for the property and the then prevailing rental rates may be higher than rental rates under the applicable lease. To maintain the operating profitability associated with our present cost structure, we must increase operating revenues within existing data centers to offset any potential increase in lease payments at the end of the original and renewal terms. Failure to increase operating revenues to sufficiently offset these projected higher lease costs would adversely impact our operating income.

If we are not able to renew the lease at any of our data centers, the costs of relocating the equipment in such data centers and developing a new location into a high-quality data center could be prohibitive. In addition, we could lose customers due to the disruptions in their operations caused by the relocation. We could also lose those customers that choose our data centers based primarily on their locations.

Our tax protection agreements could limit our ability to sell or otherwise dispose of certain properties.

We have agreed with each of the Funds or their affiliates that have directly or indirectly contributed their interests in the properties in our portfolio to our Operating Partnership that if we directly or indirectly sell, convey, transfer or otherwise dispose of all or any portion of these interests in a taxable transaction, we will make an interest-free loan to the contributors in an amount equal to the contributor's tax liabilities, based on an assumed tax rate, with respect to built-in gains generated from the initial contribution. Any such loan would be repayable out of the after tax-proceeds (based on an assumed tax rate) of any distribution from the Operating Partnership to, or any sale of common Operating Partnership units (or common stock issued by us in exchange for such units) by, the recipient of such loan, and would be non-recourse to the borrower other than with respect to such proceeds. These tax protection provisions apply for a period expiring on the earliest of (i) the seventh anniversary of the completion of our IPO, or September 2017, and (ii) the date on which these contributors (or certain transferees) dispose in certain taxable transactions of 90% of the Operating Partnership units that were issued to them in connection with the contribution of these properties.

Increases in our property and other state and local taxes could adversely affect our ability to make distributions to our stockholders if they cannot be passed on to our customers.

We are subject to a variety of state and local taxes, including real and personal property taxes and sales and use taxes that may increase materially due to factors outside our control. In particular, real estate taxes on our properties may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. For example, in the State of California various groups have proposed repealing Proposition 13, which limits annual real estate tax increases to 2% of assessed value per annum. Such initiatives, if successful, would increase the assessed value and/or tax rates applicable to commercial property in California, including our data center properties. We expect to be notified by local taxing authorities that the assessed values of certain of our properties have increased. We plan to appeal these increased assessments, but we may not be successful in our efforts. Our leases with our customers generally do not allow us to increase their rent as a result of an increase in real estate or other taxes. If real estate or other taxes increase and we cannot pass these increases on to our customers through increased rent for new leases or upon lease renewals, our result of operations, cash flow and ability to make distributions to our stockholders would be adversely affected.

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We are exposed to potential risks from errors in our financial reporting systems and controls, including the potential for material misstatements in our consolidated financial statements.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to evaluate their internal control over financial reporting. We performed our evaluation as of December 31, 2015, and concluded internal control over financial reporting is operating effectively. Although we believe our internal control over financial reporting is operating effectively, in the course of our internal audit program we have identified certain areas for ongoing improvement and we are in the process of evaluating and designing enhanced business processes and internal controls to address such areas, none of which we believe constitutes a material change. However, we cannot be certain that our efforts will be effective or sufficient for us, or our independent registered public accounting firm, to issue unqualified audit reports in the future, especially as our business continues to grow and evolve and if we acquire other businesses.

Our ability to manage our operations and growth will require us to improve our operational, financial and management controls, as well as our internal reporting systems and controls. We may not be able to implement improvements to our internal reporting systems and controls in an efficient and timely manner and have in the past, and may in the future, discover deficiencies in existing systems and controls. In addition, internal reporting systems and controls are subject to human error. Any such deficiencies could result in material misstatements in our consolidated financial statements, which might involve restating previously issued financial statements. Additionally, as we expand, we will need to implement new systems to support our financial reporting business processes and controls. We may not be able to implement these systems such that errors would be identified in a timely manner, which could result in material misstatements in our consolidated financial statements.

Our expenses may not decrease if our revenue decreases.

Most of the expenses associated with our business, such as debt service payments, real estate, personal property and ad valorem taxes, insurance, utilities, employee wages and benefits and corporate expenses are relatively inflexible and do not necessarily decrease in tandem with a reduction in revenue from our business. Our expenses also will be affected by inflationary increases and certain of our costs may exceed the rate of inflation in any given period. As a result, we may not be able to fully offset our costs by higher lease rates, which could have a material adverse effect on our operations and financial performance.

Environmental problems are possible and can be costly.

Environmental liabilities could arise and have a material adverse effect on our financial condition and performance. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and remediate hazardous or toxic substances or petroleum product releases at or from the property. In addition, we could incur costs to comply with such laws and regulations, the violation of which could lead to substantial fines and penalties.

We may have to pay governmental entities or third parties for property damage and for investigation and remediation costs that they incurred in connection with any contamination at our current and former properties without regard to whether we knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by these environmental laws may be held responsible for all of the clean-up costs incurred.

Some of our properties contain or may contain asbestos-containing building materials. Environmental laws may impose fines and penalties on building owners or operators who fail to properly manage and maintain these materials, notify and train persons who may come into contact

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with asbestos and undertake special precautions, and third parties could potentially seek recovery from owners or operators for any personal injury associated with exposure to asbestos-containing building materials.

Some of our properties may also contain or develop harmful mold or suffer from other air quality issues. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our customers, employees of our customers and others if property damage or health concerns arise.

We may be adversely affected by regulations related to climate change.

Climate change regulation is a rapidly developing area. New laws relating to climate change, including potential cap-and-trade systems, carbon taxes and other requirements relating to reduction of carbon footprints and/or greenhouse gas emissions all could negatively affect our business operations, results of operations and cash flow. Other countries have enacted climate change laws and regulations and the United States has been involved in discussions regarding international climate change treaties. The U.S. Environmental Protection Agency, or EPA, and some of the states and localities in which we operate, have also enacted certain climate change laws and regulations and/or have begun regulating carbon footprints and greenhouse gas emissions. Our data centers consume significant amounts of power. These laws and regulations could limit our ability to develop new facilities or result in substantial compliance costs, retrofit costs and construction costs, including capital expenditures for environmental control facilities and other new equipment. We could also face a negative impact on our reputation with the public if we violate climate change laws or regulations.

We may incur significant costs complying with the Americans with Disabilities Act, or ADA, and similar laws, which could materially adversely affect our financial condition and operating results.

Under the ADA, all places of public accommodation must meet federal requirements related to access and use by disabled persons. A number of additional federal, state and local laws may also require modifications to our properties. We have not conducted an audit or investigation of all of our properties to determine our compliance with the ADA. If one of our properties is not in compliance with the ADA, we would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws may require modifications to our properties, or restrict our ability to renovate our properties. We cannot predict the ultimate amount of the cost of compliance with the ADA or other legislation. If we incur substantial costs to comply with the ADA and any other similar legislation, our financial condition and results of operations could be materially adversely affected.

We may incur significant costs complying with other regulations.

Our properties are subject to various federal, state and local regulations, such as state and local fire and life safety regulations. If one of our properties is not in compliance with these various regulations, we may be required to pay fines or private damage awards. We do not know whether existing regulations will change or whether future regulations will require us to make significant unanticipated expenditures that will materially adversely impact our financial condition, results of operations, cash flow and ability to make distributions to our stockholders.

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We may be subject to securities class action and other litigation, which may harm our business and operating results.

We may be subject to securities class action or other litigation from time to time. Companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and/or damages, and divert management's attention from other business concerns, which could seriously harm our business, results of operations, financial condition or cash flows.

We may also be called on to defend ourselves against lawsuits relating to our business operations. Some of these claims may seek significant damage amounts due to the nature of our business. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of any such current or future proceedings. A future unfavorable outcome in a legal proceeding could have an adverse impact on our business, financial condition and results of operations. In addition, current and future litigation, regardless of its merits, could result in substantial legal fees, settlement or judgment costs and a diversion of management's attention and resources that are needed to successfully run our business.

Risks Related to Our Organizational Structure

Our Board of Directors may change our major corporate, investment and financing policies without stockholder approval and those changes may adversely affect our business.

Our Board of Directors will determine our major corporate policies, including our acquisition, investment, financing, growth, operations and level of indebtedness and distribution policies and whether to maintain our status as a REIT. Our Board of Directors may alter or eliminate our current corporate policies, including our policy on borrowing at any time without stockholder approval. Accordingly, while our stockholders have the power to elect or remove directors, our stockholders will have limited direct control over changes in our policies and those changes could adversely affect our business, financial condition, results of operations, the market price of our common and preferred stock and our ability to make distributions to our stockholders.

While the Funds and their affiliates do not control our Company, they own approximately 35.9% of our Operating Partnership as of December 31, 2015, and have the right to nominate one director for so long as they hold at least 10% of our outstanding common stock or common stock equivalents, and their interests may differ from or conflict with the interests of our stockholders.

As of December 31, 2015, the Funds or their affiliates had an aggregate beneficial common ownership interest in our Operating Partnership of approximately 35.9% which, if exchanged for our common stock, would represent approximately 35.5% of our outstanding common stock. In addition, the operating agreement for our Operating Partnership grants the Funds and their affiliates the right to nominate one of the seven directors to our Board of Directors for so long as the Funds hold at least 10% of our outstanding common stock or common stock equivalents. As a result, the Funds and their affiliates have the ability to exercise substantial influence over our Company, including with respect to decisions relating to our capital structure, issuing additional shares of our common stock or other equity securities, paying dividends, incurring additional debt, making acquisitions, selling properties or other assets, merging with other companies and undertaking other extraordinary transactions. In any of these matters, the interests of the Funds and their affiliates may differ from or conflict with the interests of our other stockholders. In addition, the Funds and their affiliates are in the business of making investments in companies and may, from time to time, acquire interests in businesses that directly or indirectly compete with our business, as well as businesses that are significant existing or potential customers. The Funds and their affiliates may acquire or seek to acquire assets that we seek to acquire and, as a result, those acquisition opportunities may not be available to us or may be more expensive for us to pursue.

Our charter and bylaws contain provisions that may delay, defer or prevent an acquisition of our common stock or a change in control, which may not be in the best interests of our stockholders.

Our charter and bylaws contain a number of provisions, the exercise or existence of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for our stockholders or otherwise be in their best interests, including the following:

Our Charter Contains Restrictions on the Ownership and Transfer of Our Stock. In order to assist us in complying with the limitations on the concentration of ownership of REIT stock imposed by the Code on REITs, our charter generally prohibits any person or entity (other than a person who or entity that has been granted an exception as described below) from actually or constructively owning more than 9.8% (by value or by number of shares, whichever is more restrictive) of our common stock, 9.8% (by value or by number of shares, whichever is more restrictive) of our outstanding shares of any series of preferred stock, or more than 9.8% (by value) of our capital stock. The value and number of the outstanding shares of common stock and preferred stock, and the value of the outstanding shares of capital stock shall be determined by the Board of Directors in good faith, which shall be conclusive for all purposes. We refer to these restrictions as the ownership limits. Our charter permits our Board of Directors to make, and our Board of Directors has made, certain exceptions to these ownership limits, where our Board of Directors has determined that such exceptions would not cause us to fail to qualify as a REIT. Our Board of Directors has granted exemptions from the ownership limits to the Funds and their affiliates, as well as to two registered broker-dealers who hold shares of our common stock for the benefit of multiple shareholders and one registered broker-dealer with respect solely to shares of our preferred stock for the benefit of multiple shareholders, none of whom individually holds more than 9.8% of our capital stock. Any attempt to own or transfer shares of our capital stock in excess of the ownership limits without the consent of our Board of Directors will result in the automatic transfer of the shares (and all dividends thereon) to a charitable trust. These ownership limitations may prevent a third party from acquiring control of us if our Board of Directors does not grant an exemption from the ownership limitations, even if our stockholders believe the change in control is in their best interests.

Our Charter Grants Our Board of Directors the Right to Classify or Reclassify Any Unissued Shares of Capital Stock, Increase or Decrease the Authorized Number of Shares and Establish the Preference and Rights of Any Preferred Stock without Stockholder Approval. Our charter provides that the total number of shares of stock of all classes that we currently have authority to issue is 120,000,000, initially consisting of 100,000,000 shares of common stock and 20,000,000 shares of preferred stock. Our Board of Directors has the authority, without a stockholders' vote, to classify or reclassify any unissued shares of stock, including common stock, into preferred stock or vice versa, to increase or decrease the authorized number of shares of common stock and preferred stock and to establish the preferences and rights of any preferred stock or other class or series of shares to be issued. Because our Board of Directors has the power to establish the preferences and rights of additional classes or series of stock without a stockholders' vote, our Board of Directors may give the holders of any class or series of stock preferences, powers and rights, including voting rights, senior to the rights of holders of existing stock.

Certain provisions of Maryland law may limit the ability of a third party to acquire control of us.

Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- ***"business combination"*** provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding shares of voting stock or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation) or an affiliate of any interested stockholder for five years after the most recent date on which the stockholder becomes an interested stockholder and thereafter imposes two super-majority stockholder voting requirements on these combinations; and

- ***"control share"*** provisions that provide that "control shares" of our Company (defined as voting shares of stock which, when aggregated with all other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL, by resolution of our Board of Directors and, in the case of the control share provisions of the MGCL, by a provision in our bylaws. However, our Board of Directors may elect to opt into these provisions, if approved by our stockholders by the affirmative vote of a majority of votes cast and with the consent of the Funds or their affiliates, provided that the consent of the Funds will not be required unless, in the case of the control share provisions, such provisions would apply to the Funds and their affiliates or in either case at such time they own less than 10% of our outstanding common stock (assuming all common Operating Partnership units are exchanged into common stock).

Additionally, the MGCL permits our Board of Directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not yet have.

The Company's rights and the rights of its stockholders to take action against its directors and officers are limited.

According to Maryland law, our Board of Directors have no liability in their capacities as directors if they perform their duties in good faith, in a manner they reasonably believe to be in the Company's best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the MGCL, the Company's charter limits the liability of its directors and officers to the Company and its stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or

- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

Additionally, the charter authorizes the Company to obligate itself, and the bylaws require it, to indemnify the Company's directors and officers for actions taken by them in those capacities and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding to the maximum extent permitted by Maryland law and we have entered into indemnification agreements with the Company's officers and directors. As a result, the Company and its stockholders may have more limited rights against its directors and officers than might otherwise exist under common law. Accordingly, in

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the event that actions taken in good faith by any of the Company's directors or officers impede the performance of the Company, a stockholders' ability to recover damages from that director or officer will be limited.

Preferred stock is senior to our common stock upon liquidation and for the purpose of distributions and may cause the market price of our common stock to decline.

In December 2012, we sold 4.6 million shares of 7.25% Series A Cumulative Redeemable Preferred Stock in an underwritten public offering. Upon liquidation, holders of our shares of preferred stock will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. As data center acquisition or development opportunities arise from time to time, we may issue additional shares of common stock or preferred stock to raise the capital necessary to finance these acquisitions or developments or may issue common stock or preferred stock or common Operating Partnership units, which are redeemable for, at our option, cash or our common stock on a one-to-one basis, to acquire such properties. Such issuances could result in dilution of stockholders' equity. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their interest.

The conversion rights of preferred stock holders may be detrimental to holders of our common stock.

The holders of our preferred stock may convert their shares into a defined number of the Company's common stock upon the occurrence of specified changes in control. The conversion of series A preferred stock for our common stock would dilute stockholder and unitholder ownership, and could adversely affect the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities.

The number of shares available for future sale could adversely affect the market price of our common stock.

We cannot predict whether future issuances of shares of our common stock or the availability of shares of our common stock for resale in the open market will decrease the market price per share of our common stock. Sales of a substantial number of shares of our common stock in the public market, either by us or by holders of Operating Partnership units upon exchange of such Operating Partnership units for our common stock, or the perception that such sales might occur, could adversely affect the market price of the shares of our common stock. The Funds, as holders of the Operating Partnership units issued in the formation transactions, have the right to require us to register with the SEC the resale of the common stock issuable, if we so elect, upon redemption of these Operating Partnership units. In addition, we registered shares of common stock that we have reserved for issuance under our Long Term Incentive Plan, and they generally can be freely sold in the public market, assuming any applicable restrictions and vesting requirements are satisfied. If any or all of these holders, including the Funds, cause a large number of their shares to be sold in the public market, the sales could reduce the trading price of our common stock and could impede our ability to raise future capital. During the year ended December 31, 2015, 8,500,000 common Operating Partnership units held by the Funds were redeemed for shares of our common stock in connection with the offer and sale of 8,500,000 shares of our common stock by the Funds. Refer to Item 8 Note 11 Noncontrolling Interests Operating Partnership in "Financial Statements and Supplementary Data" included in this Annual Report.

Failure to qualify as a REIT would have material adverse consequences to us and the value of our stock.

We have elected to be taxed and to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes under the Code. However, we cannot assure you that we will remain qualified as a REIT. If, in any taxable year, we lose our REIT status, we will face serious tax consequences that would substantially reduce our cash available for distribution to our stockholders for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and we would be subject to federal income tax, including any alternative minimum tax, at regular corporate rates;
- we could be subject to possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

Our failure to qualify as a REIT could also impair our ability to expand our business and raise capital, and would materially adversely affect the value of our common stock and preferred stock.

Failure to qualify as a domestically controlled REIT could subject our non-U.S. stockholders to adverse federal income tax consequences.

We will remain a domestically controlled REIT if, at all times during a specified testing period, less than 50% in value of our shares is held directly or indirectly by non-U.S. stockholders. However, because our shares are publicly traded, we cannot guarantee that we will maintain the qualifications to be a domestically-controlled REIT. If we fail to qualify as a domestically-controlled REIT, our non-U.S. stockholders that otherwise would not be subject to federal income tax on the gain attributable to a sale of our shares of common stock would be subject to taxation upon such a sale if either (1) the shares of common stock were not considered to be regularly traded under applicable Treasury Regulations on an established securities market, such as the NYSE, or (2) the selling non-U.S. stockholder owned, actually or constructively, more than 5% in value of the outstanding shares of common stock being sold during specified testing periods. If gain on the sale or exchange of our shares of common stock was subject to taxation for these reasons, the non-U.S. stockholder would be subject to regular U.S. income tax with respect to any gain on a net basis in a manner similar to the taxation of a taxable U.S. stockholder, subject to any applicable alternative minimum tax and special alternative minimum tax in the case of nonresident alien individuals, and corporate non-U.S. stockholders may be subject to an additional branch profits tax.

Our cash available for distribution to stockholders may not be sufficient to pay distributions at expected levels or at all, and we may be required to borrow funds on a short-term basis during unfavorable market conditions.

In order to maintain our qualification as a REIT, we are required under the Code to distribute at least 90% of our net taxable income annually to our stockholders. In any period our net taxable income may be greater than our cash flow from operations, requiring us to fund such distributions from other sources, including borrowed funds, even if the market conditions are not favorable for these borrowings. In addition, we may become party to debt agreements that include cash management or similar provisions, pursuant to which revenues generated by properties subject to such indebtedness are immediately, or upon the occurrence of certain events, swept into an account for the benefit of the lenders under such debt agreements, which revenues would typically only become available to us after the funding of reserve accounts for, among other things, debt service, taxes, insurance and leasing commissions. In any event, if our properties do not generate sufficient distributable cash flow to satisfy our REIT distribution obligations, we may be required to fund distributions from working capital, borrowings under our revolving credit facility, the sale of assets or debt or equity financing, some or all of which may not be available or may not be available on favorable market conditions. As a result, any failure to generate cash greater than our REIT distribution obligation could have a material adverse effect on the price of our common stock.

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Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

For taxable years beginning on or after January 1, 2013, the maximum tax rate applicable to "qualified dividends" paid to U.S. shareholders that are individuals, trusts and estates is 23.8% (taking into account the 3.8% Medicare tax applicable to net investment income). Dividends payable by REITs, however, generally are not eligible for the reduced rates and will continue to be subject to tax at rates applicable to ordinary income, which will be as high as 43.4% (taking into account the 3.8% Medicare tax applicable to net investment income). The more favorable tax rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the shares of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common shares.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could materially and adversely affect CoreSite Realty Corporation's stockholders, Operating Partnership unit holders and/or us. We cannot predict how changes in the tax laws might affect our investors and/or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification.

Applicable REIT laws may restrict certain business activities.

As a REIT we are subject to various restrictions on our income, assets and activities. These include restrictions on our ability to pursue certain strategic acquisitions or business combinations and our ability to enter into other lines of business. Due to these restrictions, we anticipate that we will conduct certain business activities in one or more taxable REIT subsidiaries. Our taxable REIT subsidiaries are taxable as regular C corporations and are subject to federal, state, local and, if applicable, foreign taxation on their taxable income at applicable corporate income tax rates. However, we may still be limited in the business activities we can pursue.

Despite our REIT status, we remain subject to various taxes.

Notwithstanding our status as a REIT, we will be subject to certain federal, state and local taxes on our income and property. For example, we will pay tax on certain types of income that we do not distribute and we will incur a 100% excise tax on transactions with our taxable REIT subsidiary ("TRS") entities that are not conducted on an arm's length basis. Moreover, our TRS entities are taxable as a regular C corporation and will pay federal, state and local income tax on their net taxable income at the applicable corporate rates.

We could become subject to the imposition of prohibited transactions tax.

In the event a determination were made that we executed a prohibited transaction, defined as a sale or disposition of property held for sale in the ordinary course of business other than foreclosed property, a federal tax would be imposed on 100% of the net income derived from such a transaction. Safe-harbor rules exist to avoid the prohibited transaction test. Otherwise, facts and circumstances would govern application of the tax to a particular transaction.

If the structural components of our properties were not treated as real property for purposes of the REIT qualification requirements, we would fail to qualify as a REIT.

A significant portion of the value of our properties is attributable to structural components related to the provision of electricity, heating, ventilation and air conditioning, humidification regulation, security and fire protection, and telecommunication services. We have received a private letter ruling from the Internal Revenue Service (the "IRS"), holding, among other things, that our buildings, including the structural components, constitute real property for purposes of the REIT qualification requirements. We are entitled to rely upon that private letter ruling only to the extent that we did not misstate or omit a material fact in the ruling request we submitted to the IRS and that we operate in the future in accordance with the material facts described in that request. Moreover, the IRS, in its sole discretion, may revoke the private letter ruling. If our structural components are subsequently determined not to constitute real property for purposes of the REIT qualification requirements, including as a result of our being unable to rely upon the private letter ruling or the IRS revoking that ruling, we would fail to qualify as a REIT, which could have a material adverse effect on the value of our common stock.

If interconnection services were not treated as qualifying income for purposes of the REIT qualification requirements, we may fail to qualify as a REIT.

Interconnection services are a fundamental and growing part of our business. Based on representations we have made to the IRS that this activity is ordinary, necessary, usual, and customary in connection with the operation of our data center properties and those properties with similar character to ours, we have received a private letter ruling, holding, among other things, that amounts received from our customers for interconnection services will not be treated as other than "rents from real property" under the Code. We are entitled to rely upon that private letter ruling only to the extent that we did not misstate or omit a material fact in the ruling request we submitted to the IRS and that we operate in the future in accordance with the material facts described in that request. Moreover, the IRS, in its sole discretion, may revoke the private letter ruling. If the revenue associated with our interconnection activity was determined to be non-qualifying REIT income, including as a result of our being unable to rely upon the private letter ruling or the IRS revoking that ruling, there would be significant risk to our ability to qualify as a REIT, which could have a material adverse effect on the value of our common stock.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, our sources of income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our capital stock. If we fail to comply with one or more of the asset tests at the end of any calendar quarter, we must correct the failure within 30 days after the end of such calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. In order to meet these tests, we may be required to forego investments we might otherwise make or to liquidate otherwise attractive investments. Thus, compliance with the REIT requirements may hinder our performance and reduce amounts available for distribution to our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The information set forth under the caption "Our Portfolio" in Item 1 of this Annual Report is incorporated by reference herein.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we are subject to claims and administrative proceedings. Except as described below, we are not presently party to any proceeding which we believe to be material or which we would expect to have, individually or in the aggregate, a material adverse effect on our business, financial condition, cash flows or results of operations.

On February 4, 2014, U.S. Colo, LLC ("U.S. Colo"), a current customer, filed a complaint against us in the United States District Court for the Central District of California. In the complaint, U.S. Colo alleged that it should not have been charged for the use of various CoreSite interconnection services under the terms of an existing agreement between the parties.

On July 23, 2015, after amendments to the complaint, dismissal of several of U.S. Colo's claims, and a remand of the case to the Superior Court of the State of California, County of Los Angeles (the "Superior Court"), U.S. Colo filed an amended complaint alleging breach of contract and breach of the covenant of good faith and fair dealing. The amended complaint seeks $802,564 in damages for charges paid to us for interconnection services; $70,080,000 in damages for alleged losses of revenue and profits; attorney's fees, interest, and costs of the suit; and declaratory and injunctive relief.

On February 4, 2016, the Superior Court granted our motion for summary adjudication, finding that U.S. Colo had contractually waived all claims for lost revenue or profits or other consequential damages. Discovery is underway and a trial is currently set for April 11, 2016.

On July 9, 2015, a purported class action lawsuit was filed in the Superior Court of the State of California, County of Los Angeles, against us, alleging various employment law violations related to overtime, meal and break periods, minimum wage, timely payment of wages, wage statements, payroll records and business expenses. The lawsuit is in the early stages and we have filed a responsive pleading generally denying the allegations.

We intend to vigorously defend both of these legal proceedings. While it is not feasible to predict or determine the outcome of these legal proceedings, as of December 31, 2015, we estimate that the ultimate resolution of these litigation matters and other disputes could result in a loss that is reasonably possible between $0.0 million and $3.0 million in the aggregate.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Market Information and Holders

Our common stock has been listed and is traded on the New York Stock Exchange ("NYSE") under the symbol "COR" since September 23, 2010. As of February 11, 2016, we had five holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name. The following table sets forth, for the periods indicated, the high and low sale prices in dollars on the NYSE for our common stock and the dividends we declared with respect to the periods indicated.

	Price Range		Dividends
	High	Low	Declared
2015:			
Fourth Quarter	$ 60.10	$ 50.60	$ 0.53
Third Quarter	$ 52.63	$ 45.44	$ 0.42
Second Quarter	$ 51.04	$ 44.51	$ 0.42
First Quarter	$ 51.32	$ 39.28	$ 0.42
2014:			
Fourth Quarter	$ 39.98	$ 32.24	$ 0.42
Third Quarter	$ 36.47	$ 32.03	$ 0.35
Second Quarter	$ 34.08	$ 29.75	$ 0.35
First Quarter	$ 33.74	$ 29.26	$ 0.35

Distributions and Dividends

In order to comply with the REIT requirements of the Code, we generally are required to make annual distributions to our shareholders of at least 90% of our net taxable income. Our common stock distribution policy is to distribute as dividends a percentage of our cash flow that ensures that we will meet the distribution requirements of the Code and that allows us to maximize the cash retained for meeting other cash needs, such as capital improvements and other investment activities.

We have made distributions in the form of dividends in every quarter since the completion of our IPO. While we plan to continue to make quarterly distributions, no assurances can be made as to the frequency or amounts of any future distributions. The payment of common share distributions is dependent upon our financial condition, operating results and REIT distribution requirements and may be adjusted at the discretion of our Board of Directors during the year. Dividends declared in the past two fiscal years are noted in the chart above.

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Performance Graph

The following line graph sets forth, for the period from December 31, 2010, through December 31, 2015, a comparison of the percentage change in the cumulative total stockholder return on our common stock compared to the cumulative total return of the S&P 500 Market Index and the MSCI US REIT Index ("RMS"). The graph assumes that $100 was invested on December 31, 2010, in shares of our common stock and each of the aforementioned indices and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our shares will continue in line with the same or similar trends depicted in the graph below.

Pricing Date	**COR**	**S&P 500**	**MSCI US REIT**
December 31, 2010	$ 100	$ 100	$ 100
December 31, 2011	$ 135	$ 102	$ 109
December 31, 2012	$ 217	$ 118	$ 128
December 31, 2013	$ 261	$ 157	$ 131
December 31, 2014	$ 331	$ 178	$ 171
December 31, 2015	$ 498	$ 181	$ 175

Sales of Unregistered Equity Securities

None.

Repurchases of Equity Securities

None.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial and operating data on an historical basis for CoreSite Realty Corporation. The following selected financial data should be read in conjunction with our consolidated financial statements, including the notes thereto, included in Item 8. "Financial Statements and Supplementary Data" in this Annual Report and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

	Year Ended December 31,				
(in thousands except share and per share data)	**2015**	**2014**	**2013**	**2012**	**2011**
Statement of Operations Data					
Operating revenues	$ 333,292	$ 272,420	$ 234,833	$ 206,934	$ 172,846
Operating expenses	269,208	228,233	200,163	189,891	179,936
Operating income (loss)	64,084	44,187	34,670	17,043	(7,090)
Gain on land disposal	36	1,208			
Interest expense	(7,104)	(5,311)	(2,689)	(5,236)	(5,275)
Net income (loss)	56,859	40,052	31,612	10,716	(10,779)
Net income (loss) attributable to noncontrolling interests	22,153	17,287	12,771	5,668	(6,168)
Net income (loss) attributable to CoreSite Realty Corporation	34,706	22,765	18,841	5,048	(4,611)
Preferred stock dividends	(8,338)	(8,338)	(8,338)	(440)	
Net income (loss) attributable to common shares	$ 26,368	$ 14,427	$ 10,503	$ 4,608	$ (4,611)
Earnings Per Share					
Net income (loss) per share attributable to common shares					
Basic	$ 1.05	$ 0.68	$ 0.50	$ 0.22	$ (0.24)
Diluted	1.03	0.66	0.49	0.22	(0.24)
Dividends declared per common share	1.79	1.47	1.16	0.81	0.57
Balance Sheet Data					
Gross investments in real estate	$ 1,295,135	$ 1,146,548	$ 1,048,525	$ 829,508	$ 741,981
Total assets	1,162,543	1,074,604	1,016,346	844,992	807,662
Debt, net	391,007	317,679	232,352	59,410	121,300
Funds from Operations ("FFO")					
Net income (loss)	$ 56,859	$ 40,052	$ 31,612	$ 10,716	$ (10,779)
Real estate depreciation and amortization	87,287	73,955	62,040	61,700	67,673
Gain on land disposal	(36)	(1,208)			
FFO	144,110	112,799	93,652	72,416	56,894
Preferred stock dividends	(8,338)	(8,338)	(8,338)	(440)	
FFO attributable to common shares and units	$ 135,772	$ 104,461	$ 85,314	$ 71,976	$ 56,894
FFO per common share and OP unit diluted	$ 2.86	$ 2.22	$ 1.82	$ 1.55	$ 1.24

We consider funds from operations ("FFO"), a non-generally accepted accounting principles ("GAAP") measure, to be a supplemental measure of our performance which should be considered along with, but not as an alternative to, net income and cash provided by operating activities as a measure of operating performance and liquidity. We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts ("NAREIT"). FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of

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property and undepreciated land and impairment write-downs of depreciable real estate, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. FFO attributable to common shares and units represents FFO less preferred stock dividends declared during the period.

Our management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs.

We offer this measure because we recognize that FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes real estate related depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our financial condition and results from operations, the utility of FFO as a measure of our performance is limited. FFO is a non-GAAP measure and should not be considered a measure of liquidity, an alternative to net income, cash provided by operating activities or any other performance measure determined in accordance with GAAP, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. In addition, our calculations of FFO are not necessarily comparable to FFO as calculated by other REITs that do not use the same definition or implementation guidelines or interpret the standards differently from us. Investors in our securities should not rely on these measures as a substitute for any GAAP measure, including net income.

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

You should read the following discussion and analysis of our results of operations, financial condition and liquidity in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. Some of the information contained in this discussion and analysis or set forth elsewhere in this annual report, including information with respect to our plans and strategies for our business, statements regarding the industry outlook, our expectations regarding the future performance of our business and the other non-historical statements contained herein are forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements." You should also review the "Risk Factors" in Item 1A. of this Annual Report for a discussion of important factors that could cause actual results to differ materially from the results described herein or implied by such forward-looking statements.

Overview

We are engaged in the business of ownership, acquisition, construction and operation of strategically located data centers in some of the largest and fastest growing data center markets in the United States, including the Northern Virginia (including Washington D.C.), New York and San Francisco Bay areas, Chicago, Los Angeles, Boston, Miami, and Denver.

We deliver secure, reliable, high-performance data center and interconnection solutions to a growing customer ecosystem across eight key North American markets. We connect, protect and deliver a reliable performance environment and continued operation of mission-critical data and information technology infrastructure for more than 900 of the world's leading enterprises, network operators, cloud providers, and supporting service providers.

Our focus is to bring together a network and cloud community to support the needs of enterprises, and create a diverse customer ecosystem. Our growth strategy includes (i) increasing cash flow from in-place data center space, (ii) capitalizing on embedded expansion opportunities within existing data centers, (iii) selectively pursuing acquisition and development opportunities in existing and new markets, (iv) expanding existing customer relationships, and (v) attracting new customers.

Factors which May Influence our Results of Operations

Market and economic conditions. We are impacted by general business and economic conditions in the United States and globally. These conditions include short-term and long-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets and broad trends in industry and finance, all of which are beyond our control. Macro-economic conditions that affect the economy and the economic outlook of the United States and the rest of the world could adversely affect our customers and vendors, which could adversely affect our results of operations and financial condition.

Operating revenue. The amount of revenue generated by the properties in our portfolio depends on several factors, including our ability to maintain or improve the occupancy rates of currently leased space and to lease currently available space. In addition, the loss of one or more significant customers could have a material adverse effect on our results of operations. During the year ended December 31, 2015, we renewed an average of 49,000 NRSF per quarter at a rental growth rate of 9.1%. Excluding space held for development, as of December 31, 2015, the occupancy rate of data center properties in our portfolio, stabilized and pre-stabilized, was 89.7% of NRSF compared to 82.6% as of December 31, 2014. During the year ended December 31, 2015, new and expansion leases totaling approximately

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304,000 NRSF commenced. The following table summarizes our leasing activity during the year ended December 31, 2015:

	Three Months Ended	Number of Leases(1)	GAAP Annualized Rent	Total Leased NRSF(2)	Rental Rates(3)	Rent Growth(4)
New/expansion leases commenced	December 31, 2015	142	$ 9,335	54,329	$ 172	
	September 30, 2015	150	9,250	66,330	139	
	June 30, 2015	107	15,117	122,872	123	
	March 31, 2015	110	9,224	60,797	152	
New/expansion leases signed	December 31, 2015	155	$ 8,901	42,089	$ 211	
	September 30, 2015	149	8,825	64,087	138	
	June 30, 2015	122	19,624	243,477	81	
	March 31, 2015	100	8,861	54,385	163	
Renewal leases signed	December 31, 2015	211	$ 10,089	49,561	$ 204	6.7%
	September 30, 2015	165	10,460	72,031	145	9.7%
	June 30, 2015	135	6,517	35,272	185	9.1%
	March 31, 2015	122	7,222	40,446	179	11.4%

(1) Number of leases represents each lease agreement with a customer; a lease agreement could include multiple spaces and a customer could have multiple leases.

(2) Total leased NRSF is determined based on contractually leased square feet, including required data center support space (such as the mechanical, telecommunications and utility rooms) and building common areas.

(3) Rental rates represent annual contractual rent per NRSF adjusted for straight-line rents in accordance with GAAP.

(4) Rent growth represents the increase in rental rates on renewed leases commencing during the period, as compared with the previous period's rental rates for the same space.

Operating expenses. Our operating expenses primarily consist of utility costs, including power, site maintenance, real estate taxes and insurance, personnel salaries and benefits, including stock based compensation, depreciation, as well as rental expenses on our properties in which we hold a leasehold interest. A substantial majority of our operating expenses are fixed in nature and should not vary significantly from period to period, unless we expand our existing data centers or acquire new data centers, which would entail additional operations, security and facility personnel, as well as utility, operating and maintenance expenses. Our buildings require significant power to support data center operations. We expect the cost of power will generally increase in the future on a per-unit or fixed basis in addition to the variable increase related to the growth in consumption by our customers. In addition, the cost of power is generally higher in summer months as compared to other times of the year. Furthermore, to the extent we incur increased electricity costs as a result of either climate change policies or the physical effects of climate change; such increased costs could materially impact our financial condition, results of operations and cash flows.

Substantially all of our data center NRSF is subject to the breakered-amp or sub-metered (branch circuit monitoring) power pricing models. We recover all or substantially all of our electricity costs for our leased data center space under either model. Under the sub-metered model, a customer pays us monthly for the power attributable to its equipment in the data center as well as for its ratable allocation of the power used to provide the cooling, lighting, security and other requirements supporting the data center, in each case, at a rate substantially equivalent to our then current utility cost. Under the breakered-amp model, a customer pays a fixed monthly fee per committed available

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ampere of connected power. The extent to which this fixed monthly fee correlates to the monthly amount we pay to our utility provider for electricity at each data center facility varies depending upon the amount of power each customer utilizes each month relative to the amount of committed power and related infrastructure purchased.

Scheduled Lease Expirations. Our ability to re-lease expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. In addition to approximately 267,000 NRSF of space currently unoccupied in our total portfolio, 741 and 537 data center leases representing approximately 16.0% and 14.0% of the NRSF in our operating data center portfolio with current average annualized rental rates of $136 per NRSF and $164 per NRSF are scheduled to expire during the years ending December 31, 2016, and 2017, respectively. Our past performance may not be indicative of future results, and we cannot assure that leases will be renewed or that our properties will be re-leased at all or at rental rates equal to or above the current average rental rates. Further, re-leased/renewed rental rates in a particular market may not be consistent with rental rates across our portfolio as a whole and may fluctuate from one period to another due to a number of factors, including local real estate conditions, local supply and demand for datacenter space, competition from other datacenter developers or operators, the condition of a particular property and whether a property, or space within a property, has been developed.

Acquisitions, Development and Financing. Our ability to grow rental and operating revenue depends on our ability to acquire, develop and lease data center space at favorable rental rates. As of December 31, 2015, we had approximately 869,000 NRSF of space available for future development and space currently under development, or approximately 30% of the total space in our portfolio. We may encounter development delays, excess development costs, or delays in leasing developed space to customers. We generally fund the cost of data center development from additional capital, which, for future developments, we would expect to obtain through our revolving credit facility and other unsecured and secured borrowings, construction financings and the issuance of additional equity and debt securities if needed and when market conditions permit. We will require additional capital to finance future development activities, which capital may not be available or may not be available on terms acceptable to us.

Conditions in Significant Markets. Positive or negative changes in conditions including supply and demand, rental rates, utility costs, and general economic conditions in any of our markets could impact our overall performance. The following table provides an overview of our property portfolio as a percentage of total data center annualized rent as of December 31, 2015:

Metropolitan Market	**Percentage of Total Data Center Annualized Rent**
Los Angeles	27.4%
San Francisco Bay	26.0
Northern Virginia	20.8
Chicago	8.8
Boston	8.2
New York	7.0
Miami	1.0
Denver	0.8
Total	100.0%

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Results of Operations

Year Ended December 31, 2015, Compared to Year Ended December 31, 2014

The discussion below relates to our financial condition and results of operations for the years ended December 31, 2015, and 2014. A summary of our operating results for the years ended December 31, 2015, and 2014, is as follows (in thousands).

	Year Ended December 31,			
	2015	2014	$ Change	% Change
Operating revenue	$ 333,292	$ 272,420	$ 60,872	22.3%
Operating expense	269,208	228,233	40,975	18.0%
Operating income	64,084	44,187	19,897	45.0%
Interest expense	7,104	5,311	1,793	33.8%
Net income	56,859	40,052	16,807	42.0%

Operating Revenue

Operating revenue during the years ended December 31, 2015, and 2014, was as follows (in thousands):

	Year Ended December 31,			
	2015	2014	$ Change	% Change
Data center revenue:				
Rental revenue	$ 183,300	$ 149,294	$ 34,006	22.8%
Power revenue	89,495	71,227	18,268	25.6%
Interconnection revenue	44,234	35,355	8,879	25.1%
Tenant reimbursement and other	8,295	8,702	(407)	4.7%
Total data center revenue	325,324	264,578	60,746	23.0%
Office, light industrial and other revenue	7,968	7,842	126	1.6%
Total operating revenues	$ 333,292	$ 272,420	$ 60,872	22.3%

A majority of the increase in operating revenues was due to a $52.3 million increase in data center rental and power revenue during the year ended December 31, 2015, compared to the 2014 period. The increase in data center rental and power revenue is due primarily to the net commencement of new and expansion leases during the year ended December 31, 2015, which increased occupied data center NRSF from 1,217,248 NRSF as of December 31, 2014, to 1,489,611 NRSF as of December 31, 2015. Leases that contributed to the increase in data center rental and power revenue include new leases representing 42,318 NRSF at the recently developed first and second phases of NY2 and new leases representing 87,538 NRSF at the recently developed first and second phases of VA2. Also, at our Santa Clara campus, we restructured a 50,000 NRSF lease agreement involving a customer that has vacated its leased space and is paying discounted rent payments that may be applied to new lease arrangements elsewhere in our portfolio until its original lease terms expire. The amounts payable pursuant to this agreement are scheduled to expire as follows: $1.9 million in the second quarter of 2016 and $4.2 million in the second quarter of 2017. In addition to these reservation payments, we have successfully secured new leases for the vacated 50,000 NRSF to new customers as of December 31, 2015. These new leases increased data center rental and power revenue by $18.3 million during the year ended December 31, 2015, compared to the 2014 period, which represented 35% of the total increase in data center rental and power revenue. The remainder of the increase in data center revenue

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is due to an additional 174,472 NRSF of customer leases that commenced during the year ended December 31, 2015, partially offset by expiring leases that were not renewed.

In addition, interconnection revenue increased $8.9 million during the year ended December 31, 2015, compared to the 2014 period, primarily as a result of an increase in the volume of cross connects from new and existing customers. During the twelve months ended December 31, 2015, customers added 2,226 net cross connections.

Operating Expenses

Operating expenses during the years ended December 31, 2015, and 2014, were as follows (in thousands):

	Year Ended December 31,			
	2015	2014	$ Change	% Change
Property operating and maintenance	$ 89,805	$ 75,119	$ 14,686	19.6%
Real estate taxes and insurance	12,144	7,578	4,566	60.3%
Depreciation and amortization	95,702	80,722	14,980	18.6%
Sales and marketing	15,930	14,554	1,376	9.5%
General and administrative	34,179	27,842	6,337	22.8%
Rent	21,075	20,397	678	3.3%
Impairment of internal-use software	322	1,959	(1,637)	83.6%
Transaction costs	51	62	(11)	17.7%
Total operating expenses	$ 269,208	$ 228,233	$ 40,975	18.0%

Property operating and maintenance expense increased $14.7 million as a result of an increase in power expense due to the commencement of new and expansion leases during the year ended December 31, 2015, that resulted in a 22% increase in occupied data center NRSF from 1,217,248 NRSF as of December 31, 2014, to 1,489,611 NRSF as of December 31, 2015. In addition, payroll and benefits expense increased due to an increase in facilities and operations headcount associated with increased occupied data center NRSF.

Real estate taxes and insurance increased $4.6 million during the year ended December 31, 2015, compared to the 2014 period, primarily as a result of a true-up in 2014 of accrued real estate tax liabilities associated with estimated amounts from 2010 due to the change in ownership of our acquired properties at our IPO. The final tax assessments for two properties acquired at our IPO became known in the second quarter of 2014 and, therefore, the estimated real estate tax liabilities were reconciled to the actual tax liabilities, resulting in a $3.7 million reduction in the 2014 expense. In addition, real estate taxes and insurance increased $1.2 million during the year ended December 31, 2015, compared to the 2014 period, as a result of an increased tax assessment at our CH1 property and a decrease in capitalized real estate taxes and insurance due to less construction activity at NY2 and VA2 during the year.

Depreciation and amortization expense increased $15.0 million as a result of an increase in depreciation expense from approximately 174,000 NRSF of new data center capital projects placed into service during the year ended December 31, 2015, with a cost basis of approximately $115.6 million. Also, we recognized a $4.2 million increase in amortization expense from deferred leasing commissions related to new leases signed and lease renewals.

General and administrative expense increased $6.3 million primarily as a result of $2.4 million in litigation accruals, an increase in payroll, benefits and bonus expense due to an increase in headcount and fees associated with the redemption by the Funds of 8,500,000 Operating Partnership units. See additional discussion of the litigation accruals in Item 8 Note 15 Commitments and Contingencies in "Financial Statements and Supplementary Data."

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During the years ended December 31, 2015, and 2014, we recognized a $0.3 million and $2.0 million impairment charge, respectively, as a result of writing off the costs incurred for internal-use software previously under development that was discontinued and will no longer be placed into service.

Interest Expense

Interest expense increased during the year ended December 31, 2015, compared to the 2014 period, as a result of the increase in overall debt outstanding and a decrease in capitalized interest due to construction projects at NY2 and VA2 being placed into service during the year. Overall debt outstanding increased $73.3 million during the year ended December 31, 2015. A summary of interest expense for the years ended December 31, 2015, and 2014, is as follows (in thousands):

	Year Ended December 31,			
	2015	2014	$ Change	% Change
Interest expense and fees	$ 9,556	$ 8,047	$ 1,509	18.8%
Amortization of deferred financing costs	1,246	1,897	(651)	34.3%
Capitalized interest	(3,698)	(4,633)	935	20.2%
Total interest expense	7,104	5,311	1,793	33.8%
Percent capitalized	34.2%	46.6%		

Year Ended December 31, 2014, Compared to Year Ended December 31, 2013

The discussion below relates to our financial condition and results of operations for the years ended December 31, 2014, and 2013. A summary of our operating results for the years ended December 31, 2014, and 2013, is as follows (in thousands).

	Year Ended December 31,			
	2014	2013	$ Change	% Change
Operating revenue	$ 272,420	$ 234,833	$ 37,587	16.0%
Operating expense	228,233	200,163	28,070	14.0%
Operating income	44,187	34,670	9,517	27.5%
Interest expense	5,311	2,689	2,622	97.5%
Net income	40,052	31,612	8,440	26.7%

Operating Revenue

Operating revenue during the years ended December 31, 2014, and 2013, was as follows (in thousands):

	Year Ended December 31,			
	2014	2013	$ Change	% Change
Data center revenue:				
Rental revenue	$ 149,294	$ 131,080	$ 18,214	13.9%
Power revenue	71,227	59,663	11,564	19.4%
Interconnection revenue	35,355	28,932	6,423	22.2%
Tenant reimbursement and other	8,702	7,317	1,385	18.9%
Total data center revenue	264,578	226,992	37,586	16.6%
Office, light-industrial and other revenue	7,842	7,841	1	0.0%
Total operating revenues	$ 272,420	$ 234,833	$ 37,587	16.0%

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A majority of the increase in total operating revenues was due primarily to a $29.8 million increase in data center rental and power revenue during the year ended December 31, 2014, compared to the 2013 period. The increase in data center rental and power revenue was due primarily to the net commencement of new and expansion leases during the year ended December 31, 2014, which increased occupied data center NRSF from 1,105,451 NRSF as of December 31, 2013, to 1,217,248 NRSF as of December 31, 2014. Leases that contributed to the increase in data center rental and power revenue include a 101,721 NRSF built-to-suit lease at SV5, which commenced in November 2013, a 7,711 NRSF lease at SV4, which commenced in September 2013, a 23,663 NRSF lease at BO1, which commenced in April 2013, a 5,694 NRSF lease at CH1, which commenced in April 2014, a 12,600 NRSF lease at SV3, which commenced in May 2014, and 27,347 NRSF of multiple leases at our newly developed NY2 data center which commenced throughout the year ended December 31, 2014. These five leases and the NY2 leases increased data center rental and power revenue by $15.3 million during the year ended December 31, 2014, compared to the 2013 period, which represented 51% of the total increase in data center rental and power revenue. The remainder of the increase in data center revenue was due to an additional 122,094 NRSF that commenced during the year ended December 31, 2014, partially offset by expiring leases that were not renewed.

In addition, interconnection revenue increased $6.4 million during the year ended December 31, 2014, compared to the 2013 period, as a result of an increase in the volume of cross connects from new and existing customers.

Operating Expenses

Operating expenses during the years ended December 31, 2014, and 2013, were as follows (in thousands):

	Year Ended December 31,			
	2014	**2013**	**$ Change**	**% Change**
Property operating and maintenance	$ 75,119	$ 64,260	$ 10,859	16.9%
Real estate taxes and insurance	7,578	8,458	(880)	10.4%
Depreciation and amortization	80,722	65,785	14,937	22.7%
Sales and marketing	14,554	14,405	149	1.0%
General and adminstrative	27,842	27,317	525	1.9%
Rent	20,397	19,659	738	3.8%
Impairment of internal-use software	1,959		1,959	
Transaction costs	62	279	(217)	77.8%
Total operating expenses	$ 228,233	$ 200,163	$ 28,070	14.0%

Property operating and maintenance expense increased $10.9 million as a result of an increase in power expense due to the commencement of new and expansion leases during the year ended December 31, 2014, and a 10% increase in occupied data center NRSF from 1,105,451 NRSF as of December 31, 2013, to 1,217,248 NRSF as of December 31, 2014. In addition, payroll and benefits expense increased due to an increase in facilities and operations headcount associated with increased occupied data center NRSF.

Real estate taxes and insurance decreased $0.9 million during the year ended December 31, 2014, compared to the 2013 period, as a result of a true-up of accrued real estate tax liabilities associated with estimated amounts from 2010 due to the change in ownership of our acquired properties at IPO located in California. The final tax assessments for two properties acquired at IPO became known in the second quarter of 2014 and, therefore, the estimated real estate tax accruals were reconciled to the actual tax liabilities, resulting in a $3.7 million reduction in expense. This decrease was partially offset by an increase in real estate taxes and insurance due to increases in assessed property values and taxes

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on newly developed data centers at NY2 and SV5. Insurance premiums increased as a result of the completion of newly developed data centers, including NY2 and SV5, and a corresponding increase in the insured values of these properties. We capitalize a portion of real estate taxes and insurance costs that are identifiable to data center projects under construction.

Depreciation and amortization expense increased $14.9 million as a result of the placement into service of approximately 68,300 NRSF of new operating space during the year ended December 31, 2014.

During the year ended December 31, 2014, we recognized a $2.0 million impairment charge as a result of internal-use software previously under development that was discontinued during the period and will not be placed into service.

Interest Expense

The $2.6 million increase in total interest expense was primarily a result of additional outstanding debt of $317.7 million as of December 31, 2014, compared to $232.4 million of outstanding debt as of December 31, 2013. A summary of interest expense for the year ended December 31, 2014, and 2013, is as follows (in thousands):

	Year Ended December 31,			
	2014	**2013**	**$ Change**	**% Change**
Interest expense and fees	$ 8,047	$ 5,312	$ 2,735	51.5%
Amortization of deferred financing costs	1,897	1,739	158	9.1%
Capitalized interest	(4,633)	(4,362)	(271)	6.2%
Total interest expense	5,311	2,689	2,622	97.5%
Percent capitalized	46.6%	61.9%		

The Company recognized a $1.2 million gain on land disposal in the consolidated statements of operations as a result of the Massachusetts Bay Transportation Authority acquiring 52,248 square feet of land at BO1 pursuant to an order of taking.

Liquidity and Capital Resources

Discussion of Cash Flows

Year Ended December 31, 2015, Compared to Year Ended December 31, 2014

Net cash provided by operating activities was $142.6 million for the year ended December 31, 2015, compared to $99.5 million for the year ended December 31, 2014. The increase in cash provided by operating activities of $43.1 million, or 43%, was due primarily to growth in data center rental, power and interconnection revenue from existing customers and completion and subsequent leasing of new data center space at several properties. Also, we paid $3.8 million more of leasing commissions during the year ended December 31, 2014, compared to the 2015 period.

Net cash used in investing activities increased by $21.3 million, or 20%, to $127.5 million for the year ended December 31, 2015, compared to $106.2 million for the year ended December 31, 2014. This increase was due primarily to construction commencing on our SV6 and SV7 buildings at our Santa Clara campus. The increase was partially offset by the receipt of $2.4 million of cash proceeds during the year ended December 31, 2015, from a real estate disposal related to the Massachusetts Bay Transportation Authority acquiring 52,248 square feet of land at BO1 pursuant to an order of taking during the year ended December 31, 2014.

Net cash used in financing activities was $18.8 million for the year ended December 31, 2015, compared to $12.0 million provided by financing activities for the year ended December 31, 2014. The $30.8 million change in financing activities was primarily a result of net cash proceeds from debt instruments of $73.8 million during the year ended December 31, 2015, compared to net cash proceeds of $86.0 million during the year ended December 31, 2014. The remaining change was due to an increase of $13.6 million in dividends and distributions paid on our common stock and Operating Partnership units during the year ended December 31, 2015, as a result of an increase in the quarterly dividend from $0.35 per share or unit paid during the year ended December 31, 2014, to $0.42 per share or unit paid during the year ended December 31, 2015.

Year Ended December 31, 2014, Compared to Year Ended December 31, 2013

Net cash provided by operating activities was $99.5 million for the year ended December 31, 2014, compared to $97.7 million for the year ended December 31, 2013. The increase in cash provided by operating activities of $1.8 million was due primarily to growth in data center rental, power and interconnection revenue from existing customers and completion and subsequent leasing of new data center space at several properties and an increase in prepaid rent and other liabilities. The increase was partially offset by a $14.5 million increase in deferred leasing costs paid during the year ended December 31, 2014, compared to 2013.

Net cash used in investing activities decreased to $106.2 million for the year ended December 31, 2014, compared to $214.5 million for the year ended December 31, 2013. This decrease was primarily a result of the acquisition during 2013 of NY2 for $21.9 million and a decrease in cash expended on real estate improvements of $85.2 million, primarily related to construction of our SV5 and NY2 properties during the 2013 period.

Net cash provided by financing activities was $12.0 million for the year ended December 31, 2014, compared to $113.9 million for the year ended December 31, 2013. The decrease of $101.9 million in cash provided by financing activities was primarily a result of $86.8 million less net cash proceeds from debt instruments during the year ended December 31, 2014, as the acquisition of NY2 and development activities during the year ended December 31, 2013, resulted in higher financing requirements during the 2013 period. The remaining change was due to an increase of $16.7 million in dividends and distributions paid on our common stock and common Operating Partnership units during the year ended December 31, 2014, as a result of an increase in the quarterly dividend from $0.27 per share or unit paid during the year ended December 31, 2013, to $0.35 per share or unit paid during the year ended December 31, 2014.

Analysis of Liquidity and Capital Resources

We have an effective shelf registration statement that allows us to offer for sale various unspecified classes of equity and debt securities. As circumstances warrant, we may issue debt and/or equity securities from time to time on an opportunistic basis, dependent upon market conditions and available pricing. We make no assurance that we can issue and sell such securities on acceptable terms or at all.

Our short-term liquidity requirements primarily consist of funds needed for interest expense, operating costs including utilities, site maintenance costs, real estate and personal property taxes, insurance, rental expenses and selling, general and administrative expenses, certain capital expenditures, including for the development of data center space and future distributions to common and preferred stockholders and holders of our common Operating Partnership units during the next twelve months. As of December 31, 2015, we had $6.9 million of cash and cash equivalents. Subject to our ability to obtain capital upon favorable terms, we estimate our anticipated development activity over the next twelve months will require approximately $210 million to $240 million of capital investment to expand

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our operating data center portfolio. The table below summarizes our current projects under construction as of December 31, 2015, and the remaining estimated capital required:

						Costs	
Projects/Facilities	**Metropolitan Market**	**Estimated Completion**	**NRSF**	**Incurred to-date**	**Estimated Total**		**Per NRSF**
TKD(1)							
VA2 Phase 3(2)	Northern Virginia	Q1 2016	48,137	$ 17,408	$ 24,500		$ 509
VA2 Phase 4(2)	Northern Virginia	Q1 2016	48,137	4,630	8,000		166
BO1	Boston	Q1 2016	14,031	9,363	11,000		784
SV7 Phase 1	San Francisco Bay	Q2 2016	80,000	23,794	110,000		1,375
LA2	Los Angeles	Q1 - Q2 2016	43,345	7,563	18,000		415
Powered shell							
SV6(3)	San Francisco Bay	Q1 - Q2 2016	136,580	$ 18,083	$ 30,000		$ 220
Total TKD and powered shell			**370,230**	**$ 80,841**	**$ 201,500**		
Deferred Expansion Capital							
CH1	Chicago	Q1 2016		$ 1,042	$ 2,600		
LA1	Los Angeles	Q1 2016		1,273	1,300	incandescent, halogen and fluorescent light sources, including lower energy consumption, longer life span, absence of hazardous materials, shock-resistance, fast response, and cold light source, in addition to a wide range of colors, dynamics, miniaturization, and greater design flexibility. As a result, common general uses of LED lighting include battery-powered flashlights, security lights, indoor and outdoor road and stair lights, as well as building and sign lights,	

display screens, and landscape lighting.

Regulatory restrictions on inefficient uses of lighting are resulting in an increase in use of more energy efficient lighting solutions, including LEDs. Many countries have enacted legislation requiring an increase in the use of energy-efficient lighting. For example, as of September 2009, the European Union banned the importation of most incandescent bulbs, and the United States is moving to enact a similar ban that is scheduled to commence as early as 2012. In addition, the adoption of industry-wide international standards for lighting products provide guidelines for efficiency and performance, allowing manufacturers that meet the guidelines to promote their energy-efficient products and consumers to better understand energy efficiency.

Legislation and energy efficiency standards have led to increased demand for LED lighting products, as governments, industry organizations, and commercial and residential consumers adopt lighting solutions that conform to efficiency standards and present a reduced threat to the environment. As a result, we believe that the lighting industry will experience a general transition from its widespread use of incandescent lamps to energy-efficient light sources in the next several years, in addition to a shift to solid-state lighting technology as compared to the more traditional vacuum-based technologies.

With rising energy prices and increased awareness of climate change, consumer demand for energy-saving lighting has been growing. Consumers interested in purchasing more efficient lighting products with lower energy consumption have increasingly turned to LED lighting as a viable alternative to incandescent bulbs. Consumers have become more aware of the positive impact of the use of LED lighting. For example, more than 425 million 60-watt incandescent light bulbs are sold each year in the United States, according to the U.S. Department of Energy as reported in 2008, and replacing the incandescent bulbs with LEDs could save enough electricity in one year to power as much as 17.4 million homes and save approximately 5.6 million metric tons of carbon emissions annually. As a result, we believe that the LED lighting market will be one of the fastest-growing segments over the next decade.

China Lighting Market

China's market for lighting solutions has been growing, due in part to the country's rapid economic growth and position as one of the world's largest consumer markets. Economic growth in China has led to greater levels of personal disposable income and increased spending among China's expanding middle-class consumer base.

Notwithstanding China's economic growth, with a population of approximately 1.3 billion people, China's economic output and consumption rates are still small on a per capita basis compared to developed countries. As China's economy develops, we believe that disposable income and consumer spending levels are expected to continue to become closer to those of developed countries like the United States. We also believe that Shanghai's successful bid for the 2010 World Expo will promote a new round of Shanghai urban development construction, which may provide business opportunities for the lighting industry.

Furthermore, the production of lighting products has moved to China in recent years and China's market share of the manufacturing of lighting products is expected to increase. China has a number of benefits in the manufacturing of lighting products that are expected to drive this growth, including:

- Low costs. Though there have been recent changes in labor laws, China continues to have a relatively low cost of raw materials, land and labor, which is especially important given the labor-intensive nature of the manufacture of our lighting products.

- Proximity to supply chain. Manufacturing of consumer products in general continues to shift to China, giving China-based manufacturers a further cost and cycle time advantage.

- Proximity to end-markets. China has focused in recent years on building its research, development and engineering skill base in all aspects of higher end manufacturing.

Competitive Strengths

We believe the following strengths contribute to our competitive advantages and differentiate us from our competitors in the lighting industry:

Core technology

The primary industry in which we conduct business is the LED lighting industry, and the core technology of our business is based on the all-solid-state semiconductor white light technology. With rapid advancements in the performance, efficiency and cost of energy-efficient lighting such as LED-based solutions, traditional light sources such as incandescent lamps are beginning to be replaced by advanced technologies with lower operating costs over their useful lives. In addition, the energy efficient nature of LED technology makes it an environmentally friendly light source and the compact size of LEDs has created new possibilities in lighting fixture design. As a result, we believe that the market for innovative and efficient lighting solutions is and will continue to grow.

Established brand awareness

Our lighting products, marketed under the brand-name Hyundai™, have become a recognized brand name in China and internationally, which we expect will assist us in growing our business over the course of the next few years, assuming we reach an agreement with the licensor to extend the license agreement past the July 2010 expiration date. South Korean Hyundai is one of the world's largest 500 companies and is involved in diverse areas of operations, including automobile, shipbuilding, digital electronics, and heavy industrial machinery, and Hyundai Corporation has licensed to us the right to use the trademark of HYUNDAI™ to manufacture, sell and market wiring accessories and lighting products within the PRC. We believe that the Hyundai™ name provides us with high brand name recognition and visibility. We anticipate that the license agreement will be renewed in July 2010 because Hyundai Corporation has signed a non-binding memorandum of cooperation effective January 1, 2009 that indicates that Hyundai Corporation intends to renew our license agreement until December 31, 2018. However, the memorandum is not binding on Hyundai Corporation and we have no control over Hyundai Corporation's decision whether to continue to license its trademark to us.

Market position

Since our inception, we have focused on the research, development and manufacture of various types of lighting products, including increasingly efficient LEDs. Our manufacturing operations, centrally located in Huizhou, Guangdong, utilize a modern manufacturing building with approximately 72,118 square feet and 16 advanced automated production lines with a monthly production capability of approximately 2.5 million units. In addition to manufacturing facilities, we lease separate warehouse space. We have developed significant expertise in the key technologies and large-scale manufacturing that enable us to improve the quality of our products, reduce costs, and keep pace with current standards of the rapidly evolving lighting industry. We are able to bring to the market well-differentiated products that perform well against competitive offerings based on price, innovation, energy efficiency, and brand recognition. Our specific Hyundai™ LED technology has a growing application base in the lighting industry and has allowed us to distinguish our products from those of our competitors.

Design and manufacturing capabilities

We design and manufacture high quality and reliable lighting products with significant performance features. To deliver cost competitive solutions, we invest in technology advancements, capitalize on strategic relationships, and utilize our automated manufacturing process. We employ a senior design team that develops and tracks new technologies, concepts and ideas from a variety of sources, including direct customer feedback, trade shows, and industry conferences. We utilize a 72,118 square-foot factory, which includes a large-scale production area, and more than 600 full-time employees, including approximately 500 employees in production. Our modernized production lines include 16 pieces of automated processing equipment and procedures that we can rapidly modify to accommodate new customer requests, designs and specifications. Our use of manual labor during the production process benefits from the availability of relatively low-cost, skilled labor in China. We have also received several accreditations, including The International Organization for Standardization (ISO) 9001: 2000, ISO 14000, and RoHS certification, attesting to our quality management requirements, manufacturing safety, controls, procedures and environmental performance.

Well-established distribution channels

Our products are sold at more than 2,200 distribution outlets, including over 500 second- and third-level sales outlets located in smaller cities and rural areas, across 23 provinces and cities throughout China. Internationally, our products are sold through numerous channels, including independent specialty retailers, international and regional chains, mass merchants, and distributors. We have also built strong relationships with many large national and regional retailers, and we have well-established relationships with independent retailers.

Experienced management team

Our senior management team has extensive business and industry experience, including an understanding of changing market trends, consumer needs, lighting technologies and our ability to capitalize on the opportunities resulting from these market changes. Members of our senior management team also have significant experience with respect to key aspects of our operations, including research and development, product design, manufacturing, and sales and marketing.

Diversified customer base and end markets

For the three months ended March 31, 2010 and year ended December 31, 2009, our products were sold to approximately 60 OEMs and 73 distributors across a wide variety of end markets. We believe that the different purchasing patterns among our customers in the various end markets allow us to reduce the overall sensitivity of demand of our products due to changes in the economy.

Strategy

Our goal is to become a leader in the development, manufacture, and distribution of LED and other lighting products in China and internationally. We intend to achieve this goal by implementing the following strategies:

Expand offering of highly efficient LED products

We seek to introduce new LED lighting products as we believe there exists significant opportunities to grow market share. We currently offer over 1,000 products and we expect to expand our LED product offerings to include white light solutions for a wide range of applications. We intend to continue to shift from traditional technologies to energy-efficient and solid-state lighting technologies, while expanding the applications and markets of LED products in an attempt to penetrate new markets such as general lighting, vehicle lighting, and LCD backlighting source products. We intend to use approximately one-fourth of the net proceeds from this offering for research and development focused on LED technologies and one-half of the net proceeds for expansion of our manufacturing and production of LED components. By introducing new products and expanding sales of existing LED products, we believe that we can significantly improve operational efficiency by reducing our cost of materials, components and manufacturing.

Augment marketing and promotion efforts to increase brand awareness

During the past several years, we have carried out a brand development strategy based on product innovation, quality, and efficiency. We have recently increased our marketing and promotion expenditures to further develop our brand, "Hyundai Lights," and utilize marketing concepts in an attempt to strengthen the marketability of our products. We have also participated and intend to continue to participate in various exhibitions and similar promotional events to promote our products and brand.

Expand sales network and distribution channels

We believe that the Chinese markets are underserved and there exist vast opportunities to expand market presence, including possible openings of specialty stores. We intend to expand our sales network in China and develop relationships with a broader set of wholesalers, distributors and resellers, all in order to expand the market availability of our products in China. We expect our industry relationships will assist us in introducing and distributing new products into additional markets and will allow us to diversify our customer base and significantly increase the availability and exposure of our LED and other lighting products.

Build partnerships with new and existing clients

Our strategy is to establish partnerships with our current clients whereby we develop and manufacture new products based on client needs. We intend to strengthen relationships with our existing clients and explore opportunities for product expansion with new and existing customers. We also intend to enter into arrangements with established participants in various market segments to provide outsourced product design and engineering capabilities. We believe that this strategy will allow us to capitalize on the strengths of the segment participant's brand equity and market presence to penetrate existing and emerging markets.

Expand global presence

Nearly one-third of our products are OEM sales that are exported to countries and areas outside of Mainland China, primarily to Southeast Asia and Middle East countries such as Hong Kong, the Philippines, the United Arab Emirates, Malaysia and Singapore. We intend to further expand our international resources outside of China to better serve our global customers and business associates and to leverage opportunities in certain markets.

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Products

We produce a wide variety of lighting and related products used in the following areas:

- Commercial and Industrial — We produce lighting products for stores, hotels, offices, schools, hospitals, and government and public buildings, in addition to products for warehouses and manufacturing facilities. These settings require high performance light solutions, and we believe the largest market segment for the development of high-power white LED lighting is general commercial and industrial lighting. Our products in this area include metal halide lamps, grille spot lights, LED lights, down lights, recessed lights, grille light plates, frames, and LED wall lamps. We also provide a range of LED lights designed to replace, or seamlessly integrate into, existing lighting systems and fixtures, which can reduce energy consumption by as much as 80% while providing lighting performance equal to traditional incandescent technology.

- Outdoor — Influenced by the 2008 Beijing Olympic Games and the 2010 Shanghai World Expo, Beijing and Shanghai and other locations have increased the pace of landscape lighting usage. Because of its low energy consumption, LED lighting has an advantage as compared to other high energy consuming products in the landscape lighting industry. Our products include area and flood lighting, decorative site lighting, landscape lighting, shed lights, and other spot lighting products.

- Residential — We provide residential products that are designed to be functional, decorative, and scene-setting. Products include our line of ceiling lights, kitchen and bathroom lights, bedside lamps, fluorescent lights, and other down lighting products.

- Infrastructure — We address the lighting requirements of highways, tunnels, airports, railway yards, and ports with products that include street, area, high-mast, off-set roadway, and sign lighting.

- Other Products — Other products that we produce include our super electric transformer, which provides anti-lightning surge protection adaptable to China’s power grid, and lighting control systems.

We currently offer more than 1,000 products that we manufacture and distribute, including appliance lights, ceiling lights, grille spot lights, grille light plates, down lights, recessed lighting, kitchen lighting, lamps, framed lighting, and metal halide lights. Our notable products include the Hyundai™ LED, long life-span T4/T5 frame, ceiling light, metal halide light, and super electric transformer.

- Hyundai™ LEDs – Hyundai™ LEDs are products that provide high efficiency, long life span, low energy loss, vibration-resistance, and quick response. Hyundai™ LEDs include a semiconductor chip unit that is approximately 3 to 5 square millimeters, permitting it to be used in a variety of environments. Hyundai™ LEDs, which have a life of up to 10,000 hours, consume substantially less energy than traditional incandescent lamps and are suitable for public area uses because they use low voltage. Hyundai™ LEDs do not contain toxic material, as compared to, for example, incandescent lamps that contain mercury.

- Long Life-Span T4/T5 Framed Fluorescent Lamps – Our T4/T5 framed fluorescent lamps are straight double-fluorescent lamps with diameters of 13 mm and 16 mm. These lamps are widely used at home and in public areas, and have higher efficiency rates and longer life spans than many other straight fluorescent lamps.

- Ceiling Lights – Our ceiling lights consist of a lamp holder, lamp shade, light source, and a base concealed inside the ceiling. Common light source options for ceiling lights are round energy-saving fluorescent lamps, 2D energy-saving fluorescent lamps, straight fluorescent lamps, and incandescent lamps. Our ceiling light products come in a wide variety of shapes, sizes, and materials, in addition to a variety of shade types that include glass and plexi-glass. Our ceiling lights have an extended life span, low-maintenance, low-power consumption, high brightness, over-heating protection, low-voltage circuitry, and are UV-, infrared-, and flicker-free.

· Metal Halide Lights – Our metal halide lights are high-power lighting options with the benefits of a long lifespan and smaller amounts of mercury, approximately 1/10th that of incandescent lights. We install microcomputer electronic ballasts in our metal halide lights that are designed to suppress sound, facilitate preheating to extend lamp lifespan, protect the main circuit's functionality, and absorb and control unexpected high-voltage pulses from China's power grids. Our research and development has resulted in improvements in light structure, filling material, light technology, and electronic ballast aspects, and we currently focus our development efforts on halide lights on the ends of the power spectrums, specifically high output (1KW – 2KW) and low output (35W – 75W) products.

· Super Electric Transformers – Our super electric transformer products provide anti-lightning surge protection adaptable to China's power grid while providing a sufficient power output to maintain our lighting products and comply with local standards.

A majority of our products sold are household lighting products, which include energy-saving lights, ceiling lights, kitchen lights, projection lights, fixtures and other lighting products. Net sales for each of our product categories as a percentage of net sales are set forth below:

	Three Months Ended	Years Ended December 31,		
	March 31, 2010	2009	2008	2007
Household lighting products	78.2%	85.4%	79.4%	44.9%
Lighting holders	11.6%	7.3%	2.2%	3.8%
Illuminant devices	1.5%	0.5%	0.7%	0.4%
Power distribution transformer	0.2%	0.1%	6.3%	12.1%
Ballast devices	1.4%	0.9%	2.0%	1.0%
Lighting control boards	0%	0%	0%	34.7%
Other misc. lighting products or materials	7.1%	5.8%	9.4%	3.1%
Total	100%	100%	100%	100%

Supply of Raw Materials

We believe that our location in China provides us with comparative regional advantages in purchasing raw materials. China's LED manufacturing industry can be divided into four primary regions:

· Pearl River Delta,

• Yangtze River Delta,

• South-Eastern region, and

• Beijing / Dalian Northern area.

Each region has a relatively complete industrial supply and demand chain, with a higher level of industrialization in the Southern area and a stronger research and development focus in the Northern area due to its proximity to numerous universities and research institutions. A higher concentration of LED-related businesses is located in the Pearl River Delta and Yangtze River Delta, including LED manufacturers and distributors, in addition to LED-related equipment and raw material suppliers.

Our production facilities are located in Huizhou, Guangdong, which is located in the Pearl River Delta, and adjacent to Shenzhen and Hong Kong, is one of the major electronic manufacturing bases in China. As a result, we believe that we benefit from a well-developed network of LED-related businesses that facilitate our acquisition of raw materials and production and sale of LED products.

The primary raw materials used in our products include integrated circuits, plastic materials, hardware materials, diodes, backlight boards, light bulbs, various LED capacitance and other resistance materials. Pricing and availability of raw materials can be volatile, attributable to numerous factors beyond our control, including general economic conditions, currency exchange rates, industry cycles, production levels or a supplier's limited supply. To the extent that we experience cost increases we may seek to pass such cost increases on to our customers but cannot provide any assurance that we will be able to do so successfully or that our business, results of operations and financial condition would not be adversely affected by increased volatility of the cost and availability of raw materials.

We generally have supply agreements that are no longer than one year. Our primary suppliers of raw materials are located in Huizhou, Zhongshan and Shenzhen. Our top three suppliers accounted for a total of approximately 23.4%, 23.3%, 51.4%, and 61.4% of our raw material purchases for the three months ended March 31, 2010 and for the years ended December 31, 2009, 2008, and 2007, respectively. Our largest supplier accounted for approximately 8.7%, 11%, 26.5%, and 31.0% of our raw material purchases for the three months ended March 31, 2010 and for years ended December 31, 2009, 2008 and 2007, respectively. Other than these suppliers, no other supplier accounted for more than 10% of our total purchases in these periods.

Presently, our relationships with our suppliers are good and we expect that our suppliers will be able to meet the anticipated demand for our products in the future. However, due to our dependence on a small number of suppliers for certain raw materials, we could experience delays in development and/or the ability to meet our customer demand for new products.

Manufacturing

We utilize both internal and outsourced manufacturing processes and capabilities in order to fulfill our customers' needs in the most cost-effective manner. We internally produce at our facilities household lighting products, power distribution transformers, ballast resistors and illuminant devices, while components such as ceiling lighting, street lighting and flat lighting products are purchased primarily from outside vendors.

We have selected suppliers based on their ability to consistently produce these products per our specifications. We believe that the integration of local suppliers' factories and warehouses also provides us an opportunity to lower our component inventory while maintaining high service levels through frequent and rapid deliveries. Because we have our own factory and capabilities to produce a large number of the important components needed for our products, as such, we believe that we have a solid foundation for our overall competition.

LED and other lighting products that we manufacture require coordinated use of machinery and raw materials at various stages of manufacturing. Our manufacturing operations are conducted in Huizhou, Guangdong, where we utilize a modern manufacturing building with approximately 72,118 square feet and 16 advanced automated production lines with a monthly production capability of approximately 2.5 million units. Six of the production lines are primarily dedicated to the production of specialized LED products. Our production facilities include product and semi-product assembly, office, showroom, and warehouse functions.

We implement a computerized automated quality monitoring system that is designed to track and verify the quality of our raw materials, product components, products, and processes from the stages of supply, research and development, production, and sales. Our production facilities utilize modern machinery such as molding injectors, mounting machinery, magnetic component separators, electronic ballast performance analysis systems, soldering modules, tin stoves, computerized aging (life span testers), intelligent AC power testers, oscilloscopes, and other assembly machinery.

We structure our design and manufacturing systems to rapidly design, produce, and deliver our products in an attempt to secure business from customers that require immediate design and delivery of lighting products. We strive to deliver our general products in approximately two business days, engineer and deliver our standard products in approximately seven business days, and engineer and deliver customized products in approximately 10 to 15 business days. We intend to further streamline our production process and continue investing in our manufacturing infrastructure to further increase our manufacturing capacity, helping us to control the per unit cost of our products.

Quality Control

We consider quality control an important element of our business practices. We have stringent quality control systems that are implemented by approximately 45 company-trained staff members to ensure quality control over each phase of the production process, from the purchase of raw materials through each step in the manufacturing process. Supported by advanced equipment, we utilize a scientific management system and precision inspection measurement, capable of ensuring our products are of high quality.

Our quality control department executes the following functions:

- setting internal controls and regulations for semi-finished and finished products;

- testing samples of raw materials from suppliers;
- implementing sampling systems and sample files;
- maintaining quality of equipment and instruments; and
- articulating the responsibilities of quality control staff.

We have obtained certifications and accreditations that we believe exhibit our ability to efficiently manufacture quality products. We first obtained ISO9001:2000 quality system accreditation in May 2006 and ISO14000 environmental management system accreditation in September 2006. The International Organization for Standardization (ISO) defines the ISO 9000 quality management system as one of international references for quality management requirements in business-to-business dealings. ISO 14000 is an environmental management system in which the organization being accredited has to (i) minimize harmful effects on the environment caused by its activities, and (ii) achieve continual improvement of its environmental performance.

In September 2006, we obtained certification for compliance with the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, which is commonly referred to as the Restriction of Hazardous Substances Directive, or RoHS. RoHS restricts the use of various hazardous materials in the manufacture of electronic and electrical equipment.

Sales and Marketing

Our lighting products are sold primarily throughout China and Hong Kong, but also internationally in other countries such as the United States, United Arab Emirates, and Malaysia, using a combination of regional sales managers, independent sales representatives and distributors. Headquartered in Huizhou, we have a comprehensive sales network in China that includes six regional sales centers located in Southern China, North China, Eastern China, Southwest China, Northwest China and Northeast China. We have approximately 40 branches and 60 specialty stores across over 30 provinces, cities and autonomous regions.

We have established a standard of sales procedures covering before-sales consultation, preliminary design, final design, sample confirmation, production, product testing, sales, and after-sales services and technical support. Through these procedures, our products are sold at more than 2,200 distribution outlets, including major home improvement retailers and home building material distributors, including over 500 second- and third-level sales outlets located in smaller cities and rural areas, across 23 provinces and cities throughout China, including Sichuan, Hunan, Jiangxi, Fujian, Zhejiang, Hubei, Liaoning, Inner Mongolia, Xinjiang, Hebei, Shandong, Jiangsu, and Jilin. Moreover, we have also been engaged by numerous companies to fully design and install the lighting solutions for their retail chain store locations, providing full design service for the chain stores to display and sell our lighting products.

Most of our revenues are derived from sales to OEMs, or Original Equipment Manufacturers, followed by sales of Hyundai™ brand and other products. OEMs contract with us to build their products or to obtain services related to product development and prototyping, volume manufacturing or aftermarket support. Our services include engineering, design, materials, management, assembly, testing, distribution, and after-market services. We believe that we are able to provide quality OEM services that meet unique requirements within customer timeframes, unique styling, product simplicity, price targets, and consistent quality with low defect rates. Most of our revenues are derived from sales to OEMs followed by sales of Hyundai™ brand and other products. Because the trademark license agreement between us and Hyundai Corporation prohibits us from selling our Hyundai™ branded products outside of the PRC, our international expansion efforts will primarily be executed through our OEM products, which are not directly affected by the Hyundai agreement.

The table below shows our revenue categorized by geographic locations, which is based on the geographic areas in which our customers are located.

	Three Months Ended March 31, 2010	Years Ended December 31, 2009	2008	2007
China and Hong Kong	90.3%	88.1%	82.5%	99.1%
Other Asian countries	7.8%	8.2%	5.8%	0%
North America	0%	1.4%	2.2%	0.5%
Australia	0.6%	0.1%	1.3%	0%
Europe	0%	2.2%	5.5%	0.3%
Others	1.3%	0%	2.7%	0.1%
	100%	100 %	100%	100%

A small number of customers account for a very significant percentage of our revenue. The table below illustrates the number of customers that accounted for 5% or more of our sales for the periods presented.

	Three Months Ended March 31, 2010	Years Ended December 31, 2009	2008	2007
Number of customers accounting for 5% or more	1	0	2	4
Percentage of largest customer	5.16%	4.63%	16.77%	16.1%
Total percentage of sales attributable to customers with 5% or more	5.16%	0%	26.71%	50.13%

The loss of any of these customers could have a material adverse effect upon our revenue and net income.

We market our products to a variety of end users through a broad spectrum of marketing and promotional methods, such as direct customer contact, trade shows, print advertising, product brochures, and other literature, as well as the Internet and other electronic media. In addition, we have received numerous honors and awards that include the title as the best lighting company in Shanghai 2007 Exhibition, Hyundai Group's best strategic partner in 2007, and one of the top 50 lighting companies in Guangzhou province. We have also received various governmental awards with respect to our brand.

Research and Development

Our research and development is focused on enhancing our lighting technology by improving the performance of our current products and developing new products, in addition to developing related and alternative technologies.

We have made investments in capital and time to develop intellectual property and industry expertise in LED and other lighting technologies that we believe provide us with a competitive advantage in the markets where we compete. We intend to increase our research and development expenditures to advance, among other things, our LED technology and trial production for partial patented projects. We expect to advance our LED lighting products to surpass the brightness of traditional lighting systems while being offered at reasonable prices, increasing energy efficiency, and providing a higher performance-to-cost ratio. For example, we have invested significant amounts in the study and development of LED, electronic halide light, solar light, and nanometer luminous materials in an attempt to improve and expand upon our product portfolio. We intend to use approximately one-fourth of the net proceeds from this offering for research and development focused on LED technologies and one-half of the net proceeds for expansion of our manufacturing and production of LED components.

We also take an innovative approach to creating new and exciting products that are designed to appeal to a certain demographic. For example, in 2006, we developed three series of new lighting products that were designed to provide a healthy and environmentally-friendly lighting function for users. These products were designed to appeal to those potential customers that were environmentally and health conscious.

We conduct substantially all of our research and development with an in-house staff. We have approximately 40 engineers that work in our research and development department. A majority of our research and development staff hold a bachelor degree or higher, in addition to a majority having more than five years of research and development experience. We have also established a collaborative relationship with a number of academic institutions, including the Chinese Academy of Sciences and the Hong Kong Semiconductor Lighting Laboratory.

For the three months ended March 31, 2010 and for the years ended December 31, 2009, 2008, and 2007, we expended approximately $281,000, $895,000, $742,000, and $322,000, respectively, in research and development.

In an attempt to avoid product obsolescence, we will continue to monitor technological changes, as well as users' demands for new technologies. Failure to keep pace with future technological changes in the lighting industry could adversely affect our revenues and operating results in the future. Although we have attempted to determine the specific needs of the various segments of the lighting market in which we compete, there can be no assurance that the markets will, in fact, materialize or that our existing and future products designed for these markets will gain market acceptance.

Backlog

We have historically shipped the majority of our products within one month of the time that the order confirmation occurs. Due to the short-cycle nature of our business, we do not sustain significant backlogs and had no backlog of unfilled orders as of March 31, 2010 and December 31, 2009, 2008 and 2007.

Warranties and Return Policy

We do not generally provide a warranty for the products sold to customers since the majority of our customers are wholesalers and distributors. However, if the products that we deliver do not meet the agreed upon quality specifications or require reworking, we are responsible for the work and the related expenses. If the customers decide to rework the products themselves, we will compensate our customers for the expenses incurred.

Product Liability and Insurance

We do not have product liability insurance. Because of the nature of the lighting products sold by us, we may be periodically subject to product liability claims resulting from personal injuries, including the risk of our lighting products causing fire or burns. As a result, we may become involved in various lawsuits incidental to our business. To date, we have not been subject to products liability litigation. Product liability insurance is expensive, restrictive and difficult to obtain. Accordingly, there can be no assurance that we will have capital sufficient to cover any successful product liability claims made against us in the future, which could have a material adverse effect on our financial condition and results of operations.

Competition

The lighting equipment industry is highly competitive, with the largest suppliers serving many of the same markets and competing for the same customers. Competition is based on numerous factors, including brand name recognition, price, product quality, product design, energy efficiency, customer relationships, and service capabilities. We face competition from many other lighting manufacturers, most of which have significantly greater name recognition and financial, technical, manufacturing, personnel, marketing, and other resources than we have. Our domestic competitors include Leishi Lighting, Guangdong Opple Lighting, and Philips (China) Lighting, while our international competitors include Nichia Chemical and Lumileds Lighting. We compete primarily on the basis of quality, price, brand recognition, product diversity, design, reliability, customization, and quality service and support to our customers.

Market and competition volatility is also affected by a number of general business and economic factors, such as gross domestic product growth, employment, credit availability and commodity costs. Construction spending on infrastructure projects such as highways, streets, and urban developments also has a material impact on the demand for infrastructure-focused products. The market is also subject to rapid technology changes, highly fragmented, and cyclical. The industry is characterized by the short life cycle of products, requiring continuous design and development efforts, which necessitates large capital and time investments. Our competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements.

Intellectual Property

We rely on a combination of patent, trade secret, and licensing rights to protect our intellectual property rights and to maintain and enhance our competitiveness in the lighting industry. We intend to make strategic investments in intellectual property through engineering expenditures, partnerships, and licensing arrangements. These initiatives are designed to enhance our technology, improve existing products, rapidly introduce new products to fill identified needs, and address new applications and markets. We believe our ability to successfully develop and produce new products will allow us to open market opportunities and enhance our market position.

We are able to use our brand name, Hyundai™, pursuant to licensing rights that we have obtained from Hyundai Corporation. We entered into a Trademark License Agreement dated July 31, 2005 with Hyundai Corporation pursuant to which Hyundai Corporation agreed to license the trademark of HYUNDAI™ on wiring accessories and lighting products that we manufacture. The agreement had provisions that provided for expiration of our rights on July 31, 2015.

The July 31, 2005 Trademark License Agreement was superseded by a new trademark license agreement dated September 10, 2008 entered into by us and Hyundai Corporation. Pursuant to the new Trademark Agreement, Hyundai Corporation granted us a license to use its trademark in connection with manufacturing, selling, and marketing wiring accessories and lighting products (the “Licensed Products”) within the People’s Republic of China. The Trademark Agreement contains two terms, with one term from August 1, 2008 to July 31, 2009 and the other term from August 1, 2009 to July 31, 2010. Any additional term or renewal of the Trademark Agreement is contingent upon further written agreement of the parties.

Pursuant to the Trademark Agreement, during each term, we are required to pay Hyundai Corporation minimum royalty, and we are also not permitted to sell or distribute any product similar to or in competition with the Licensed Products. The Trademark Agreement also sets forth minimum sales amounts for the Licensed Products for each term, in addition to providing for a percentage royalty rate such that, if our aggregate sales during a term exceeds the minimum sales amount, we will pay the royalty to Hyundai Corporation equal to the amount of aggregate sales in excess of the minimum sales amount, multiplied by the royalty rate. The Trademark Agreement also requires us to provide Hyundai Corporation with sales and marketing reports for the Licensed Products for certain periods and contains other customary general provisions, including provisions related to a prohibition of assignment or sub-licensing, confidentiality, indemnification, and the scope of our use of Hyundai Corporation's trademark. Under the Trademark Agreement, Hyundai Corporation may terminate the Trademark Agreement for, among other reasons, failure to pay the royalties or failure to rectify any injury to the brand image of Hyundai Corporation's trademark within 30 days of receipt of written notification of such injury.

We anticipate that the license agreement will be renewed in July 2010 because Hyundai Corporation has signed a non-binding memorandum of cooperation effective January 1, 2009 that indicates that Hyundai Corporation intends to renew our license agreement until December 31, 2018. However, the memorandum is not binding on Hyundai Corporation and we have no control over Hyundai Corporation's decision whether to continue to license its trademark to us. If such trademark license is discontinued, we would lose the right to use the Hyundai™ name in connection with our business. Because the trademark license agreement prohibits us from selling our Hyundai™ branded products outside of the PRC, our international expansion efforts will primarily be executed through our OEM products, which are not affected by the Hyundai agreement.

We currently utilize five patents that were transferred to us from a third party, Tianfu Li, our founder and a former owner, officer, and director. The patent transfer certificates related to the patents have been filed and registered with the Bureau of Intellectual Property in the PRC. Mr. Li did not receive any consideration for the transfer and assignment of the intellectual property rights to Hyundai HZ.

We also rely on unpatented technologies to protect the proprietary nature of our product and manufacturing processes. We require that our management team and key employees enter into confidentiality agreements that require the employees to assign the rights to any inventions developed by them during the course of their employment with us. All of the confidentiality agreements include non-competition and non-solicitation provisions that remain effective during the course of employment and for periods following termination of employment, which vary depending on position and location of the employee.

Our success will depend in part on our ability to obtain patents and preserve other intellectual property rights covering the design and operation of our products. We intend to continue to seek patents on our inventions when we deem it commercially appropriate. The process of seeking patent protection can be lengthy and expensive, and there can be no assurance that patents will be issued for currently pending or future applications or that our existing patents or any new patents issued will be of sufficient scope or strength or provide meaningful protection or any commercial advantage to us. We may be subject to, or may initiate, litigation or patent office interference proceedings, which may require significant financial and management resources. The failure to obtain necessary licenses or other rights or the advent of litigation arising out of any such intellectual property claims could have a material adverse effect on our operations.

Seasonality

Our business exhibits some seasonality, with net sales being affected by the impact of weather and seasonal demand on construction and installation programs, such as a slow-down in projects in Northeast China during the winter and nationally during Chinese Spring Festival, after which we traditionally experience relatively higher sales during the second half of the fiscal year.

Employees

As of March 31, 2010, we had approximately 654 full-time employees, including approximately 539 employees in production, approximately 40 employees in research and development and approximately 80 employees in sales and marketing. All of our employees are based inside China. Our employees are not represented by any labor union and are not organized under a collective bargaining agreement, and we have never experienced a work stoppage. We believe that our relationships with our employees are generally good.

We also provide housing facilities for our employees. At present, approximately 80% of our employees live in company-provided housing facilities. According to the relevant PRC regulations on housing provident funds, PRC enterprises are required to contribute housing provident funds for their employees. The monthly contributions must be at least 5% of each employee's average monthly income in the previous year. Hyundai Light has not paid such funds for its employees since its establishment. We may be exposed to monetary fines by the local housing authority and claims from our employees in connection with Hyundai Light's non-compliance with regulations with respect to contribution of housing provident funds for employees.

PRC Government Regulations

Business license

Any company that conducts business in the PRC must have a business license that covers a particular type of work. Our business license covers our present business to design, develop, produce and sell lighting and electric products and accessories, with 30% of products sold overseas and 70% sold domestically. Prior to expanding our business beyond that of our business license, we are required to apply and receive approval from the PRC government.

Employment laws

We are subject to laws and regulations governing our relationship with our employees, including: wage and hour requirements, working and safety conditions, citizenship requirements, work permits and travel restrictions. These include local labor laws and regulations, which may require substantial resources for compliance. China's National Labor Law, which became effective on January 1, 1995, and China's National Labor Contract Law, which became effective on January 1, 2008, permit workers in both state and private enterprises in China to bargain collectively. The National Labor Law and the National Labor Contract Law provide for collective contracts to be developed through collaboration between the labor union (or worker representatives in the absence of a union) and management that specify such matters as working conditions, wage scales, and hours of work. The laws also permit workers and employers in all types of enterprises to sign individual contracts, which are to be drawn up in accordance with the collective contract.

Environmental regulations

We are subject to various federal, state, local and foreign environmental laws and regulations, including those governing the use, discharge and disposal of hazardous substances in the ordinary course of our manufacturing process. The major environmental regulations applicable to us include the PRC Environmental Protection Law, the PRC Law on the Prevention and Control of Water Pollution and its Implementation Rules, the PRC Law on the Prevention and Control of Air Pollution and its Implementation Rules, the PRC Law on the Prevention and Control of Solid Waste Pollution, and the PRC Law on the Prevention and Control of Noise Pollution.

In addition, we have complied with European Union Directives on Restrictions on certain Hazardous Substances on electrical and electronic equipment ("RoHS"). We believe that our current manufacturing operations comply in all material respects with applicable environmental laws and regulations. Although we believe that our current manufacturing operations comply in all material respects with applicable environmental laws and regulations, it is possible that future environmental legislation may be enacted or current environmental legislation may be interpreted to create environmental liability with respect to our other facilities, operations, or products.

The manufacturing facilities in which we operate are subject to the PRC's environmental laws and requirements. Our landlords, Huizhou NIVS Audio & Video Technology Company Limited and Hu Guilan, that lease the factory facilities to us are required to and has obtained a Guangdong Province Pollution Discharge Certificate issued by competent Environment Protection Bureau and are responsible for the disposal of the waste in accordance with applicable environmental regulations. If our landlords fail to comply with the provisions of the permit and environmental laws, our landlord could be subject to sanctions by regulators, including the suspension or termination of its Certificate, which would result in the suspension or termination of our manufacturing operations.

Patent protection in China

The PRC's intellectual property protection regime is consistent with those of other modern industrialized countries. The PRC has domestic laws for the protection of rights in copyrights, patents, trademarks and trade secrets.

The PRC is also signatory to most of the world's major intellectual property conventions, including:

— Convention establishing the World Intellectual Property Organization (WIPO Convention) (June 4, 1980);

— Paris Convention for the Protection of Industrial Property (March 19, 1985);

— Patent Cooperation Treaty (January 1, 1994); and

— The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) (November 11, 2001).

Patents in the PRC are governed by the China Patent Law and its Implementing Regulations, each of which went into effect in 1985. Amended versions of the China Patent Law and its Implementing Regulations came into effect in 2001 and 2003, respectively.

The PRC is signatory to the Paris Convention for the Protection of Industrial Property, in accordance with which any person who has duly filed an application for a patent in one signatory country shall enjoy, for the purposes of filing in the other countries, a right of priority during the period fixed in the convention (12 months for inventions and utility models, and 6 months for industrial designs).

The Patent Law covers three kinds of patents--patents for inventions, utility models and designs. The Chinese patent system adopts the principle of first to file; therefore, where more than one person files a patent application for the same invention, a patent can only be granted to the person who first filed the application. Consistent with international practice, the PRC only allows the patenting of inventions or utility models that possess the characteristics of novelty, inventiveness and practical applicability. For a design to be patentable, it cannot be identical with or similar to any design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, and should not be in conflict with any prior right of another.

PRC law provides that anyone wishing to exploit the patent of another must conclude a written licensing contract with the patent holder and pay the patent holder a fee. One broad exception to this rule, however, is that, where a party possesses the means to exploit a patent but cannot obtain a license from the patent holder on reasonable terms and in reasonable period of time, the PRC State Intellectual Property Office, or SIPO, is authorized to grant a compulsory license. A compulsory license can also be granted where a national emergency or any extraordinary state of affairs occurs or where the public interest so requires. SIPO, however, has not granted any compulsory license to date. The patent holder may appeal such decision within three months from receiving notification by filing a suit in a people's court.

PRC law defines patent infringement as the exploitation of a patent without the authorization of the patent holder. Patent holders who believe their patent is being infringed may file a civil suit or file a complaint with a PRC local Intellectual Property Administrative Authority, which may order the infringer to stop the infringing acts. A preliminary injunction may be issued by the People's Court upon the patentee's or the interested parties' request before instituting any legal proceedings or during the proceedings. Damages in the case of patent infringement is calculated as either the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be reasonably determined in an amount ranging from one or more times the license fee under a contractual license. The infringing party may be also fined by the Administration of Patent Management in an amount of up to three times the unlawful income earned by such infringing party. If there is no unlawful income so earned, the infringing party may be fined in an amount of up to RMB500,000, or approximately $73,200.

Value added tax

Pursuant to the Provisional Regulation of China on Value Added Tax and their implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay VAT at a rate of 17.0% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. Further, when exporting goods, the exporter is entitled to a portion or all of the refund of VAT that it has already paid or borne. Our imported raw materials that are used for manufacturing export products and are deposited in bonded warehouses are exempt from import VAT.

In 2007, through our subsidiary Hyundai Light, we received an approval from the local agent of the national taxation authority, the State Taxation Bureau of Huicheng District, Huizhou, Guangdong (the "Huicheng Taxation Bureau"), to pay a 4% simplified VAT for fiscal years 2008, 2009, and 2010. Such favorable tax policy was provided to us in accordance with the local government’s strategy of “to build a brand lighting production based in Huizhou”. As a result of this approval, our total tax savings for fiscal 2008 and 2009 was more than approximately $7.0 million; there will be additional tax savings in fiscal 2010. If a tax audit is conducted by a higher tax authority and it was determined that such local approval was improper or unauthorized and that we should in fact have been paying VAT at the rate of 17% on all sales in the PRC, we may be required to make up all of the underpaid taxes. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Value Added Tax” for additional information.

Foreign currency exchange

Under the PRC foreign currency exchange regulations applicable to us, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, security investment and repatriation of investment, however, is still subject to the approval of the PRC State Administration of Foreign Exchange, or SAFE. Foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the Ministry of Commerce, the SAFE and the State Reform and Development Commission. We currently do not hedge our exposure to fluctuations in currency exchange rates.

Mandatory statutory reserve and dividend distributions

Under applicable PRC regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a foreign-invested enterprise in China is required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year for its general reserves until the cumulative amount of such reserves reaches 50.0% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

Properties

We do not own any real property. We lease our manufacturing facilities, which consist of our factory space and dormitories of approximately 5,000 square meters, pursuant to a written lease agreement entered between us and NIVS. The lease agreement, which has a term that commenced on July 1, 2008 and ends on July 1, 2010, provides that we pay a monthly fee of RMB 25,000, or $3,700, to the lessor, Huizhou NIVS Audio & Video Technology Company Limited.   On June 9, 2010, we entered into an agreement to extend the lease term until June 2013 on the same terms.

We lease factory space of approximately 1,560 square meters and office space of approximately 150 square meters located at Nanshan Industrial Zone, Jianghai District, Jiangmen, Guangdong under a lease agreement dated April 5, 2010 from Hu Guilan. Pursuant to the lease agreement that we entered into with Hu Guilan, the monthly rent was set at RMB 11970, or approximately $1,750. The term of the lease was from April 5, 2010 to April 5, 2012.

Our principal corporate offices are located in the PRC at No. 29 & 31 Huanzhen West Road, Shuikou Town, Huizhou City, Guangdong, People’s Republic of China 516005.

Legal Proceedings

We are not involved in any material legal proceedings.

MANAGEMENT

Executive Officers, Directors and Key Employees

The following individuals constitute our board of directors and executive management as of the date of this prospectus.

Name	Age	Position
Li Xuemei	45	Chief Executive Officer, President, and Chairman of the Board
Dong Bin	41	Chief Operating Officer
Wu Shiliang	40	Executive Vice President, Sales and Marketing and Director
Kui (Kevin) Jiang	42	Chief Financial Officer and Corporate Secretary
Michael Askew	61	Director
Zhang Hongfeng	45	Director
Su Yang	41	Director

Ms. Li Xuemei was appointed as our Chief Executive Officer, President, and Chairman of the Board upon the close of the Share Exchange in January 2010. Ms. Li has served as the Executive Director of Hyundai Lighting Electric (Huizhou) Co., Ltd. since July 2008. From February 2009 to the present, Ms. Li served as sole director of China Intelligent Electronic Holding Limited. From March 2008 to June 2009, Ms. Li served as general manager of Hyundai Lighting Electric (Huizhou) Co., Ltd., and from July 2005 to July 2008, Ms. Li served as director of Hyundai Lighting Electric (Huizhou) Co., Ltd., a company in the business of manufacturing and distributing lighting products and accessories. Ms. Li received an associate's degree from Zhejiang Industry & Trade Polytechnic in 1987. We believe that Ms. Li's knowledge of all aspects of the Company's business and her historical understanding of its operations, combined with her years of experience in the lighting industry and her drive for innovation and excellence, position her well to serve as our Chairman and Chief Executive Officer.

Mr. Dong Bin was appointed as our Chief Operating Officer upon the close of the Share Exchange in January 2010. Mr. Dong has served as general manager of Hyundai Lighting Electric (Huizhou) Co., Ltd. since June 2009. From February 2006 to May 2009, Mr. Dong served as secretary-general of Huizhou Lighting Association as a consultant for various lighting enterprises. Mr. Dong received a bachelor's degree in radio, film and television from Communication University of China in 2001.

Mr. Wu Shiliang was appointed as our Executive Vice President, Sales and Marketing and Director upon the close of the Share Exchange in January 2010. Mr. Wu has served as vice general manager of Hyundai Lighting Electric (Huizhou) Co., Ltd. since March 2008. From July 2005 to March 2008, Mr. Wu served as sales director of Hyundai Lighting Electric (Huizhou) Co., Ltd, and from March 2008 to July 2008, Mr. Wu served as director of Hyundai Lighting Electric (Huizhou) Co., Ltd. From March 1999 to May 2005, Mr. Wu served as vice sales director in Rhine Hong Kong Electronics (Huizhou) Co., Ltd., which focused on the business of lighting products and accessories. Mr. Wu received an associate's degree of industry and business administration from Huizhou Radio & TV University in 1998. We believe Mr. Wu's qualifications to sit on our Board of Directors include his extensive sales and marketing experience in the lighting industry, as well as his executive leadership and management experience.

Mr. Kui (Kevin) Jiang was appointed as our Chief Financial Officer and Corporate Secretary in May 2010. Mr. Jiang served as a senior auditor and audit supervisor at Davidson & Company, LLP, a full service chartered accountancy firm, from November 2005 to November 2009. Prior to that, Mr. Jiang was a senior tax associate at Mah & Associates, LLP, a CPA firm, from September 2002 to September 2005, and was an accountant with Odenberg Ullakko Muranishi & Co., LLP, a CPA firm, from July 1999 to August 2002. From September 1989 to April 1992, Mr. Jiang served as the chief auditor at the Bureau of Auditing at the government of Liuzhou, China. Mr. Jiang is a certified public accountant in the United States. He received a bachelor’s degree in auditing from Central-South University of Business and Economics in 1989 and a master’s degree in accounting from Golden Gate University in 1999.

Mr. Michael Askew was appointed as a director of our company in March 2010. Mr. Askew served as the President and CEO of United Commercial Bank (China) Ltd. from January 2008 to December 2008, when he retired from the bank. From April 2003 to December 2007, he served as the vice president of business development and risk management before becoming the president of Business Development Bank ("BDB"), a foreign invested commercial bank incorporated in China that is based in Shanghai and serves exclusively the national SME sector. In 2007, Mr. Askew assisted in the sale of the bank to its present US shareholder. Prior to 2003, Mr. Askew led the Asia operations of the Banco Exterior de Espana (now BBVA) in Hong Kong and later the PRC banking activities of Belgium's KBC and accumulated considerable international experience as a commercial and investment banker in the UK, Sweden, USA, Brazil and Spain. Mr. Askew practiced for five years as a chartered accountant and auditor with the London firm of Peat Marwick Mitchell & Co. He obtained his Chartered Accountant license in 1973 and a Modern Languages degree from the University of London in 1970. We believe that Mr. Askew's background as a chartered accountant, along with his more than 40 years of experience in the financial and banking industry and as the founding director and President of a foreign-owned PRC Bank, provides a unique perspective to the Board.

Mr. Zhang Hongfeng was appointed as a director of our company in March 2010. Since October 1999, Mr. Zhang has served as the vice general manager of Huizhou Dawei Electronics Co., Ltd., a company specialized in automobile electronics. From July 1996 to September 1999, Mr. Zhang served as vice general manager of Huizhou Jinlong Electronics Co., Ltd., a company specialized in electronics products. From April 1992 to June 1996, Mr. Zhang served as manager of Huizhou Duopu Technology Co., Ltd., a company specialized in computer. From October 1988 to March 1992, Mr. Zhang served as chief of Material Department of Zhongou Electronics Co., Ltd., a company specialized in automobile electronics. Mr. Zhang received a bachelor degree in computer science from Guilin University of Electronic Technology in 1988. We believe that Mr. Zhang's broad knowledge of the electronics industry, as well as his experience in marketing and research and development, well qualifies Mr. Zhang to serve on our Board.

Mr. Su Yang was appointed as a director of our company in April 2010. Since March 2008, Mr. Su has served as the managing partner of Wuzhou Songde Certified Public Accountants. From December 2004 to February 2008, Mr. Su served as the managing partner of Shenzhen Taiyang Certified Public Accountants. Mr. Su has extensive experience in providing audit, appraisal and managerial advisory services to Chinese enterprises that are seeking to list in China or overseas. He also currently serves as the independent non-executive director of Jutal Offshore Oil Services Co. Limited and Edan Instruments, Inc. Mr. Su is a certified public accountant practicing in China. He received a bachelor degree in Accounting from Hunan University in 1992 and a master degree in Business Management from Cheung Kong Graduate School of Business in 2010. We believe that Mr. Su's qualifications to sit on our Board of Directors include his 15 years of experience as a certified public accountant and his extensive knowledge of the capital markets.

Family Relationships

There are no family other relationships among any of the officers and directors.

Involvement in Certain Legal Proceedings

There have been no events under any bankruptcy act, no criminal proceedings and no judgments, injunctions, orders or decrees material to the evaluation of the ability and integrity of any director, executive officer, promoter or control person of the Company during the past ten years.

The Company is not aware of any legal proceedings in which any director, nominee, 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, nominee, 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.

The Board of Directors and Committees

Under the listing standards of the NYSE Amex, a listed company's board of directors must consist of a majority of independent directors. Certain exceptions are available for this requirement but we do not qualify for any such exception. Currently, our board of directors has determined that each of the non-management directors, Michael Askew, Su Yang, and Zhang Hongfeng is an "independent" director as defined by the listing standards of NYSE Amex currently in effect and approved by the U.S. Securities and Exchange Commission ("SEC") and all applicable rules and regulations of the SEC. All members of the Audit, Compensation and Nominating Committees satisfy the "independence" standards applicable to members of each such committee. The board of directors made this affirmative determination regarding these directors' independence based on discussions with the directors and on its review of the directors' responses to a standard questionnaire regarding employment and compensation history; affiliations, family and other relationships; and transactions with the Company. The board of directors considered relationships and transactions between each director or any member of his immediate family and the Company and its subsidiaries and affiliates. The purpose of the board of director's review with respect to each director was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent under the NYSE Amex rules.

Audit Committee

We established our Audit Committee in March 2010. The Audit Committee consists of Michael Askew, Su Yang, and Zhang Hongfeng, each of whom is an independent director. Michael Askew, Chairman of the Audit Committee, is an "audit committee financial expert" as defined under Item 407(d) of Regulation S-K. The purpose of the Audit Committee is to represent and assist our board of directors in its general oversight of our accounting and financial reporting processes, audits of the financial statements and internal control and audit functions. The Audit Committee's responsibilities include:

— The appointment, replacement, compensation, and oversight of work of the independent auditor, including resolution of disagreements between management and the independent auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.

— Reviewing and discussing with management and the independent auditor various topics and events that may have significant financial impact on our company or that are the subject of discussions between management and the independent auditors.

The board of directors has adopted a written charter for the Audit Committee. A copy of the Audit Committee Charter is posted on our corporate website at http://hyundai-elc.com/english/.

Compensation Committee

We established our Compensation Committee in March 2010. The Compensation Committee consists of Su Yang and Zhang Hongfeng, each of whom is an independent director. Su Yang is the Chairman of the Compensation Committee. The Compensation Committee is responsible for the design, review, recommendation and approval of compensation arrangements for our directors, executive officers and key employees, and for the administration of our equity incentive plans, including the approval of grants under such plans to our employees, consultants and directors. The Compensation Committee also reviews and determines compensation of our executive officers, including our Chief Executive Officer. The board of directors has adopted a written charter for the Compensation Committee. A current copy of the Compensation Committee Charter is posted on our corporate website at: http://hyundai-elc.com/english/.

Nominating Committee

The Nominating Committee consists of Zhang Hongfeng and Su Yang, each of whom is an independent director. Zhang Hongfeng is the Chairman of the Nominating Committee. The Nominating Committee assists in the selection of director nominees, approves director nominations to be presented for stockholder approval at our annual general meeting and fills any vacancies on our board of directors, considers any nominations of director candidates validly made by stockholders, and reviews and considers developments in corporate governance practices. The board of directors has adopted a written charter for the Nominating Committee. A current copy of the Nominating Committee Charter is posted on our corporate website at: http://hyundai-elc.com/english/.

Code of Business Conduct and Ethics

Our board of directors has adopted a Code of Business Conduct and Ethics, which applies to all directors, officers and employees. The purpose of the Code is to promote honest and ethical conduct. The Code is posted on our corporate website located at http://hyundai-elc.com/english/, and is available in print, without charge, upon written request to us at China Intelligent Lighting and Electronics, Inc., No. 29 & 31 Huanzhen West Road, Shuikou Town, Huizhou City, Guangdong, China 516005. We intend to post promptly any amendments to or waivers of the Code on our corporate website.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Before the Share Exchange

Prior to the closing of the Share Exchange on January 15, 2010, we were a "blank check" shell company named SRKP 22, Inc. that was formed to investigate and acquire a target company or business seeking the perceived advantages of being a publicly held corporation. The only officers and directors of SRKP 22, Inc., Richard Rappaport and Anthony Pintsopoulos, SRKP 22's President and Chief Financial Officer, respectively, did not receive any compensation or other perquisites for serving in such capacities. Messrs. Rappaport and Pintsopoulos resigned from all of their executive and director positions with SRKP 22 upon the closing of the Share Exchange and are no longer employed by or affiliated with our company.

Prior to the closing of the Share Exchange, our current named executive officers were compensated by Hyundai Light until the closing of the Share Exchange, including for the years ended December 31, 2008 and 2009. The Chairman of the Board of Hyundai Light, Li Xuemei, determined the compensation for herself and the other executive officers of Hyundai Light that was earned in fiscal 2008 and 2009 after consulting with the board members of Hyundai Light. In addition, the Board of Directors of Hyundai Light approved the compensation. During the fiscal years of 2009, 2008 and 2007, the compensation for Hyundai Light's named executive officers consisted solely of each executive officer's salary and cash bonus. The Board of Directors of Hyundai Light believe that the salaries paid to our executive officers during 2008 and 2009 are indicative of the objectives of its compensation program and reflect the fair value of the services provided to Hyundai Light, as measured by the local market in China.

Compensation After the Share Exchange

Upon the closing of the Share Exchange, the executive officers of Hyundai Light were appointed as our executive officers and we adopted the compensation policies of Hyundai Light, as modified for a company publicly reporting in the United States. Compensation for our current executive officers is determined with the goal of attracting and retaining high quality executive officers and encouraging them to work as effectively as possible on our behalf. Compensation is designed to reward executive officers for successfully meeting their individual functional objectives and for their contributions to our overall development. For these reasons, the elements of compensation of our executive officers have traditionally been salary and bonus. Salary is paid to cover an appropriate level of living expenses for the executive officers and the bonus is paid to reward the executive officer for individual and company achievement.

Salary is designed to attract, as needed, individuals with the skills necessary for us to achieve our business plan, to motivate those individuals, to reward those individuals fairly over time, and to retain those individuals who continue to perform at or above the levels that we expect. When setting and adjusting individual executive salary levels, we consider the relevant established salary range, the named executive officer's responsibilities, experience, potential, individual performance and contribution. We also consider other factors such as our overall corporate budget for annual merit increases, unique skills, demand in the labor market and succession planning.

We determine the levels of salary as measured primarily by the local market in China. We determine market rate by conducting a comparison with the local geographic area averages and industry averages in China. In determining market rate, we review statistical data collected and reported by the Huizhou Labor Bureau which is published monthly. The statistical data provides the high, median, low and average compensation levels for various positions in various industry sectors. In particular, we use the data for the manufacturing sector as our benchmark to determine compensation levels because we operate in Huizhou City as a lighting products manufacturer. Our compensation levels are at roughly the 80th-90th percentile of the compensation spectrum for the manufacturing sector.

Corporate performance goals include sales targets, research and development targets, production yields, and equipment utilization. Additional key areas of corporate performance taken into account in setting compensation policies and decisions are cost control, profitability, and innovation. The key factors may vary depending on which area of business a particular executive officer's work is focused. Individual performance goals include subjective evaluation, based on an employee's team-work, creativity and management capability, and objective goals such as sales targets. We have not paid bonuses to our executive officers in the past. If we successfully complete our proposed listing of our common stock on the NYSE Amex, we expect to pay bonuses to our executive officers based if corporate and individual performance goals are met. Generally, the amount of a bonus, when awarded, will be equal to one month's salary plus 5% to 25% of the individual's annual salary. If the corporate and individual goals are fully met, the bonus will be closer to the top end of the range. If the goals are only partially met, the amount of the bonus will be closer to the bottom end of the range. In no event will there be a bonus equal to more than one month's salary if the corporate goals are not met by at least 50%.

We established a compensation committee comprised of independent directors in March 2010. The compensation committee will perform, at least annually, a strategic review of the compensation program for our executive officers to determine whether it provides adequate incentives and motivation to our executive officers and whether it adequately compensates our executive officers relative to comparable officers in other companies with which we compete for executives. Those companies may or may not be public companies or companies located in the PRC or even, in all cases, companies in a similar business. Prior to the formation of the compensation committee in March 2010, Li Xuemei, upon consulting with our board members, determined the compensation for our current executive officers. We have established a compensation program for executive officers for 2010 that is designed to attract, as needed, individuals with the skills necessary for us to achieve our business plan, to motivate those individuals, to reward those individuals fairly over time, and to retain those individuals who continue to perform at or above the levels that we expect. If paid, bonuses for executive officers in 2010 will be based on company and individual performance factors, as described above.

If we successfully complete our proposed listing on NYSE Amex in 2010, we intend to adjust our compensation evaluations upwards in 2010, including through the payment of bonuses. However, in such case, we do not intend to increase compensation by more than 10%. We believe that adopting higher compensation in the future may be based on the increased amount of responsibilities and the expansion of our business to be assumed by each of the executive officers after we become a publicly listed company.

We also intend to expand the scope of our compensation, such as the possibility of granting options to executive officers and tying compensation to predetermined performance goals. In connection with the appointment of Kui (Kevin) Jiang as our Chief Financial Officer in May 2010, we agreed to grant to Mr. Jiang options to purchase 25,000 shares of our common stock at an exercise price equal to the offering price of the shares sold in this public offering. The grant will be made on the pricing date of this public offering. The options will have a term of 5 years and will vest in equal installments every three months over a period of 12 months. We also intend to adopt an equity incentive plan after the completion of this public offering and issue additional stock-based awards under the plan to aid our company's long-term performance, which we believe will create an ownership culture among our named executive officers that fosters beneficial, long-term performance by our company. We do not currently have a general equity grant policy with respect to the size and terms of grants that we intend to make in the future, but we expect that our compensation committee will evaluate our achievements for each fiscal year based on performance factors and results of operations such as revenues generated, cost of revenues, and net income.

Summary Compensation Table

The following table sets forth information concerning the compensation for the three fiscal years ended December 31, 2009 of the principal executive officer, principal financial officer, in addition to our three most highly compensated officers whose annual compensation exceeded $100,000, and up to two additional individuals, as applicable, for whom disclosure would have been required but for the fact that the individual was not serving as an executive officer of the registrant at the end of the last fiscal year.

Name and Position	Year		Salary		Bonus		Total
Li Xuemei	2009	$	19,354	$	1,613	$	20,967
Chief Executive Officer and	2008		17,143		1,429		18,572
President	2007		14,795		-		14,795
Chi-wai (Gabriel) Tse (1)	2009	$	665	$	-	$	665
Chief Financial Officer	2008		-		-		-
	2007		-		-		-
Xialong Zhou (2)	2009	$	5,752	$	-	$	5,752
Former Chief Financial Officer	2008		-		-		-
	2007		-		-		-
Richard Rappaport (3)	2009	$	-	$	-	$	-
Former President	2008		-		-		-
and Former Director	2007		-		-		-
Anthony Pintsopoulos (3)	2009	$	-	$	-	$	-
Former Secretary, Former Chief	2008		-		-		-
Financial Officer, and Former	2007		-		-		-
Director							

(1) Chi-wai (Gabriel) Tse served as our Chief Financial Officer from December 2009 to May 2010. His annual compensation package is HKD 480,000, or approximately $61,900, plus a discretionary year end bonus.

(2) Xialong Zhou served as our Chief Financial Officer in November and December 2009. Prior to Xialong Zhou joining our company, Li Xuemi was our principal financial officer.

(3) Upon the close of the Share Exchange on January 15, 2010, Messrs. Rappaport and Pintsopoulos resigned from all positions with the Company, which they held from the Company's inception.

Grants of Plan-Based Awards in 2009

There were no option grants in 2009.

Outstanding Equity Awards at 2009 Fiscal Year End

There were no option exercises or options outstanding in 2009.

Option Exercises and Stock Vested in Fiscal 2009

There were no option exercises or stock vested in 2009.

Pension Benefits

There were no pension benefit plans in effect in 2009.

Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans

There was no nonqualified defined contribution or other nonqualified deferred compensation plans in effect in 2009.

Employment Agreements

Through China Intelligent BVI, we entered into an employment agreement dated November 23, 2009 with Xialong Zhou. Mr. Zhou served as our Chief Financial Officer until he resigned in December 2009. Pursuant to the employment agreement, it was originally intended for Mr. Zhou to serve for an initial period of one year at an annual salary of $50,000, in addition to issuance 10,000 shares of common stock that was to be issued on June 1, 2010. On December 31, 2009, we entered a separation agreement pursuant to which we agreed that no shares were to be issued.

In December 2009, we, through China Intelligent BVI, entered into an employment agreement with Tse Wai Chi to serve as our Chief Financial Officer. Mr. Tse served as our Chief Financial Officer until he resigned in May 2010. According to the agreement, Mr. Tse was entitled to HKD480,000, or approximately US$61,900 annually, in addition to a grant of securities that is equal to HKD1,000,000, or approximately US$129,000 after one year of employment. Mr. Tse resigned in May 2010, prior to the completion of his one year of employment, and therefore no shares will be issued pursuant to the agreement.

On May 5, 2010, we entered into an employment agreement with Kui (Kevin) Jiang regarding his employment as our Chief Financial Officer. Pursuant to the employment agreement, Mr. Jiang will be entitled to an annual base salary of $48,873, as well as reimbursement for business travel expenses. The initial term of the employment agreement will be 12 months, with automatic 12-month extensions, unless either party provides 30 days written notice of termination prior to the expiration of a term. We may terminate the employment agreement with 30 days prior written notice or payment in lieu thereof. In the event Mr. Jiang’s employment with us is terminated, we will pay Mr. Jiang on the date of termination the amount of his salary that is earned but unpaid as of the date of termination. Pursuant to the employment agreement, Mr. Jiang will also be granted options to purchase 25,000 shares of our common stock at an exercise price equal to the offering price of the shares sold in this public offering. The grant will be made on the pricing date of this public offering. The options will vest in equal installments every three months over a period of 12 months. The options will expire five years from the date of grant, provided, however, that Mr. Jiang remains continuously employed by the Company during the applicable five-year period. If Mr. Jiang is terminated without cause, as defined in the employment agreement, or Mr. Jiang terminates his employment for good reason, as defined in the employment agreement, then all of the options that are not vested will immediately vest on the date of termination. All options that are vested at the time of termination of employment must be exercised within 30 days of termination, provided, however, that the options may be immediately cancelled by us if Mr. Jiang’s employment is terminated for cause.

Dong Bin and Wu Shiliang are parties to employment agreements with Hyundai Light that have a term that continues through December 31, 2010. The employment agreements are entered into on an annual basis. Under their respective agreements, Wu Shiliang was paid a monthly salary of RMB 9,700, which is approximately US$1,422, for 2009 and will be paid RMB 10,185, or approximately US$1,490, per month for 2010, and Dong Bin was paid a monthly salary of RMB10,000, which is approximately US$1,466, for 2009 and will be paid RMB 10,500, or approximately US$1,540, per month in 2010. Pursuant to the agreements, each employee is provided with standard holidays and leave and receives a salary as specified in the agreements. In the event an employee works overtime that has been approved by Hyundai Light, each employee will be offered compensation leave or overtime salary in accordance with the Labor Law of China. Under the employment agreements, the employees have certain obligations to maintain confidential information about the Company. Each agreement may be renewed or other changes to the agreements may be made upon the written agreement of both parties. The employment agreements provide for termination upon the occurrence of termination conditions stipulated in the agreements and in accordance with the Law of Labor Contract in China and other regulations.

Director Compensation

The following table shows information regarding the compensation earned during the fiscal year ended December 31, 2009 by members of board of directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Li Xuemei(1)	-	-	-	-	-	-	-
Wu Shiliang(1)	-	-	-	-	-	-	-
Michael Askew(2)	-	-	-	-	-	-	-
Su Yang(2)	-	-	-	-	-	-	-
Zhang Hongfeng(2)	-	-	-	-	-	-	-
Richard Rappaport(3)	-	-	-	-	-	-	-
Anthony Pintsopoulos(3)	-	-	-	-	-	-	-

(1) Upon the close of the Share Exchange on January 15, 2010, Li Xuemei and Wu Shiliang were appointed as directors of the Company. They did not receive any compensation for their directorial services for China Intelligent BVI during 2009.

(2) Michael Askew and Zhang Hongfeng were appointed as directors of the Company in March 2010. Su Yang was appointed as director of the Company in April 2010. They did not receive any compensation from China Intelligent BVI during 2009.

(3) Upon the close of the Share Exchange on January 15, 2010, Messrs. Rappaport and Pintsopoulos resigned from all positions with the Company, which they held from the Company's inception.

We do not currently have an established policy to provide compensation to members of our Board of Directors for their services in that capacity. We intend to develop such a policy in the near future.

Indemnification of Directors and Executive Officers and Limitations of Liability

Under Section 145 of the General Corporation Law of the State of Delaware, we can indemnify our directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). Our certificate of incorporation provides that, pursuant to Delaware law, our directors shall not be liable for monetary damages for breach of the directors' fiduciary duty of care to us and our stockholders. This provision in the certificate of incorporation does not eliminate the duty of care, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to us or our stockholders, for acts or omissions not in good faith or involving intentional misconduct or knowing violations of the law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

Our bylaws provide for the indemnification of our directors to the fullest extent permitted by the Delaware General Corporation Law. Our bylaws further provide that our Board of Directors has discretion to indemnify our officers and other employees. We are required to advance, prior to the final disposition of any proceeding, promptly on request, all expenses incurred by any director or executive officer in connection with that proceeding on receipt of an undertaking by or on behalf of that director or executive officer to repay those amounts if it should be determined ultimately that he or she is not entitled to be indemnified under the bylaws or otherwise. We are not, however, required to advance any expenses in connection with any proceeding if a determination is reasonably and promptly made by our Board of Directors by a majority vote of a quorum of disinterested Board members that (i) the party seeking an advance acted in bad faith or deliberately breached his or her duty to us or our stockholders and (ii) as a result of such actions by the party seeking an advance, it is more likely than not that it will ultimately be determined that such party is not entitled to indemnification pursuant to the applicable sections of our bylaws.

We have been advised that in the opinion of the Securities and Exchange Commission, insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by our director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

We may enter into indemnification agreements with each of our directors and officers that are, in some cases, broader than the specific indemnification provisions permitted by Delaware law, and that may provide additional procedural protection. As of the date of the Share Exchange, we have not entered into any indemnification agreements with our directors or officers, but may choose to do so in the future. Such indemnification agreements may require us, among other things, to:

- indemnify officers and directors against certain liabilities that may arise because of their status as officers or directors;

- advance expenses, as incurred, to officers and directors in connection with a legal proceeding, subject to limited exceptions; or

- obtain directors' and officers' insurance.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees in which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

China Intelligent BVI

China Intelligent BVI and Hyundai Light are either directly or indirectly wholly-owned subsidiaries of China Intelligent Lighting and Electronics, Inc. and each of which has interlocking executive and director positions with us and with each other.

Share Exchange

On January 15, 2010, SRKP 22 completed the Share Exchange with China Intelligent BVI and the former sole shareholder of China Intelligent BVI. At the closing, China Intelligent BVI became a wholly-owned subsidiary of SRKP 22 and 100% of the issued and outstanding securities of China Intelligent BVI were exchanged for securities of SRKP 22. An aggregate of 7,097,748 shares of common stock were issued to the sole shareholder of China Intelligent BVI and her designees. As of the close of the Share Exchange, the sole shareholder and her designees owned approximately 71.7% of the issued and outstanding stock of SRKP 22. Prior to the closing of the Share Exchange and the closing of the Private Placement, the stockholders of SRKP 22 agreed to the cancellation of an aggregate of 2,130,195 shares and 2,757,838 warrants to purchase shares of common stock held by them such that there were 9,893,704 shares of common stock and warrants to purchase 790,358 shares of common stock owned by them immediately after the Share Exchange and Private Placement. The Board resigned in full and appointed Li Xuemei and Wu Shiliang to the board of directors of our company, with Li Xuemei serving as Chairman. The Board also appointed Li Xuemei as our Chief Executive Officer and President, Chi-wai (Gabriel) Tse as our Chief Financial Officer and Corporate Secretary, Wu Shiliang as our Executive Vice President, Sales and Marketing, and Dong Bin as Chief Operating Officer. Each of these executives and directors were executives and/or directors of China Intelligent BVI and/or its subsidiaries.

The number of shares and warrants cancelled was determined based on negotiations with the security holders of SRKP 22, Inc. and China Intelligent BVI. As indicated in the Share Exchange Agreement, the parties to the transaction acknowledged that a conflict of interest existed with respect to the negotiations for the terms of the Share Exchange due to, among other factors, the fact that WestPark Capital, Inc. was advising China Intelligent BVI in the transaction. Certain of the controlling stockholders and control persons of WestPark Capital, Inc. were also, prior to the completion of the Share Exchange, controlling stockholders and control persons of SRKP 22, Inc. Under these circumstances, the sole shareholder of China Intelligent BVI and the shareholders of SRKP 22 negotiated an estimated value of China Intelligent BVI and its subsidiaries, an estimated value of the shell company (based on similar recent public shell transactions), and the mutually desired capitalization of the company resulting from the Share Exchange.

With respect to the determination of the amounts of shares and warrants cancelled, the value of the shell company was derived primarily from its utility as a public company platform, including its good corporate standing and its timely public reporting status, which was expected to allow us to list our stock on a national securities exchange and raise capital at an appropriate price per share; the services provided by WestPark Capital, Inc. were not a consideration in determining this aspect of the transaction. Under these circumstances and based on these factors, the sole shareholder of China Intelligent BVI and the shareholders of SRKP 22 agreed upon the amount of shares and warrants to be cancelled. Further to such negotiations, we paid a total of $600,000 in connection with the Share Exchange to acquire the SRKP 22, Inc. shell corporation, such fee consisting of $350,000 paid to WestPark Capital, Inc., which is the placement agent in the Private Placement as described below, and $250,000 paid to a third party unaffiliated with China Intelligent BVI, Hyundai Light or WestPark Capital, Inc. in connection with the third party's services as an advisor to the Company, including assisting in preparations for the Share Exchange and the Company's listing of securities in the United States. In addition, we paid a $140,000 success fee to WestPark Capital, Inc. for services provided in connection with the Share Exchange, including coordinating the Share Exchange transaction process, interacting with the principals of the shell corporation and negotiating the definitive purchase agreement for the shell, conducting a financial analysis of China Intelligent BVI, conducting due diligence on China Intelligent BVI and its subsidiaries, and managing the interrelationship between legal and accounting activities. We also reimbursed WestPark Capital, Inc. a total of $80,000 for expenses related to its due diligence. All of the fees due to WestPark Capital, Inc. and to the unaffiliated third party in connection with the Share Exchange have been paid as of the date of this prospectus.

Based on the $2.54 per share offering price of the common shares issued in the private placement on January 15, 2010, as described below, the 1,418,001 shares retained by the SRKP 22 shareholders had an implied monetary value of approximately $3.6 million. Assuming exercise of the 790,358 warrants also retained by the SRKP 22 shareholders, 2,208,359 shares would have been retained by the SRKP 22 shareholders with an implied monetary value of approximately $5.6 million. The implied monetary value of the retained shares was calculated based on the $2.54 per share offering price, without regard to liquidity, marketability, or legal or resale restrictions; accordingly, such amounts should not be considered as an indication of the fair value of the retained shares.

WestPark Capital, Inc.

Some of the controlling stockholders and control persons of WestPark Capital, Inc., our placement agent in the Private Placement and an underwriter in this offering, were also, prior to the completion of the Share Exchange, controlling stockholders and control persons of SRKP 22, Inc., our predecessor. These persons include Richard Rappaport, who is the Chief Executive Officer of WestPark Capital, Inc. and who indirectly holds a 100% interest in WestPark Capital, Inc. and who also was the President and a significant stockholder of SRKP 22, Inc. prior to the Share Exchange. Anthony C. Pintsopoulos, who is the President and Treasurer of WestPark Capital, Inc. and who was also one of the significant stockholders and an officer and director of SRKP 22, Inc. prior to the Share Exchange. Kevin DePrimio and Jason Stern, each employees of WestPark Capital, Inc., were also stockholders of SRKP 22, Inc. In addition, Richard Rappaport is the sole owner of the membership interests of the parent of the placement agent. Each of Messrs. Rappaport and Pintsopoulos resigned from all of their executive and director positions with the Company upon the closing of the Share Exchange. Mr. Rappaport beneficially owned 16.8% of our common stock immediately after the Share Exchange. Collectively Messrs. Rappaport, Pintsopoulos, DePrimio and Stern beneficially own 18.5% of our common stock immediately after the Share Exchange and Private Placement. The placement agent was paid a commission equal to 8% of the gross proceeds from the financing and a 4% non-accountable expense allowance. We are also retaining WestPark Capital, Inc. for a period of six months following the closing of the Private Placement to provide us with financial consulting services for which we will pay WestPark Capital, Inc. $6,000 per month.

WestPark Capital, Inc. is also one of the Underwriters in this offering. Subject to the terms and conditions of the underwriting agreement dated [_________], 2010, WestPark Capital, Inc. has agreed to purchase from us the number of shares set forth in the "Underwriting" section of this prospectus at the public offering price less the underwriting discounts and commissions indicated in the "Underwriting" section. In addition, we have agreed to pay the Underwriters an aggregate non-accountable expense allowance of 2.5% of the gross proceeds of this offering. Based on the assumed per share offering price of $3.00 and the sale by us of 3,350,000 shares of common stock offered in this offering, we will pay the Underwriters a non-accountable fee to underwriters equal to approximately $251,250. The Underwriters will also receive warrants to purchase a number of share equal to 5% of the shares of our common stock sold in connection with this offering excluding the shares sold in the over-allotment option. The warrants will be exercisable at a per share price equal to 120% of the offering price of this offering.

The Underwriters have a 45-day option to purchase up to 502,500 additional shares of common stock at the public offering price solely to cover over-allotments, if any, if the Underwriters sell more than 3,350,000 shares of common stock in this offering. The Underwriters agreed to purchase 61.2% of the over-allotment shares from the selling stockholders identified in this prospectus and the remaining shares from us. We will not receive any proceeds from the sale of the shares, if any, by the selling stockholders. If the Underwriters exercise this option in full, the total underwriting discounts and commissions will be $[__], and total proceeds, before expenses, to the selling stockholders will be $[__] and the total proceeds to us, before expenses, from the over-allotment option exercise will be $[__].

See "Underwriting" on page 90 of this prospectus for more information.

Tianfu Li and the NIVS Group

Li Tianfu is the founder and a former owner, officer, and director of Hyundai Light and Electric (HZ) Co., Ltd. ("Hyundai HZ") and Korea Hyundai Light & Electric (Intl) Holding Limited ("Hyundai HK"). Mr. Li's ownership of Hyundai Light was held through China Intelligent Electric Holding Limited ("China Intelligent"), of which Mr. Li was the 100% owner. In March 2007, Mr. Li transferred his entire equity interest to Ms. Jing Xiangying. After the transfer, Mr. Li ceased to serve as a director of Hyundai HK and Hyundai HZ, and Mr. Li's sister, Ms. Li Xuemei, became the executive director and general manager of Hyundai HZ. Ms. Li Xuemei is our Chief Executive Officer, President, and Chairman of the Board. Mr. Li is also the founder, largest shareholder, and Chief Executive Officer and Chairman of the Board of NIVS IntelliMedia Technology Group, Inc., which is a company with which we conduct business.

Rental of Manufacturing Facilities

We lease our manufacturing facilities, which consist of our factory space and dormitories of approximately 5,000 square meters, pursuant to a written lease agreement entered between us and Huizhou NIVS Audio & Video Technology Company Limited, which is a subsidiary of NIVS IntelliMedia Technology Group, Inc. The lease agreement, which has a term that commenced on July 1, 2008 and ends on July 1, 2010, provides that we pay a monthly fee of RMB 25,000, or $3,700. On June 9, 2010, we entered into an agreement to extend the lease term until June 2013 on the same terms. In addition, Huizhou NIVS Audio & Video Technology Company Limited, that leases the factory to us is required to and has obtained a Guangdong Province Pollution Discharge Certificate issued by Huizhou Environment Protection Bureau and is responsible for the disposal of the waste in accordance with applicable environmental regulations.

Loan Transactions

From June 2005 to November 2008, Hyundai HZ and Hyundai HK would enter into loan transactions with the NIVS Group and/or Mr. Li pursuant to which we would loan and borrow funds from each other. The loans were for temporary funding of our business operations. The aggregate amount that was due to (from) NIVS Group and/or Mr. Li for the years ended December 31, 2009, 2008 and 2007 was $0, $0, and $0.5 million, respectively. Other than a loan to the supplier of Hyundai HZ, as described below, all of the loans were unsecured with no fixed repayment date. The loans were borrowed and repaid frequently. Normally, it was agreed that the loan amounts were to be paid back within three to six months from the date of the loan transaction. We ceased to enter into the loan transactions in November 2008.

Our loans from NIVS Group and Mr. Li included a loan to a supplier of Hyundai HZ in the amount of 38,474,900RMB, which is equal to approximately U.S. $5.5 million, in March 2008. The note carried an interest rate of 1.5% per month and was guaranteed by Hyundai HZ. If the note was not repaid on time, a penalty of 0.5% was to be assessed on the total note amount. On June 16, 2008, a supplemental agreement was signed by the parties to amend the note's maturity date to December 31, 2008. Hyundai HZ repaid to the NIVS Group the principal amount under the loan on November 24, 2008, in the amount of RMB 38,039,000. Hyundai HZ effected the repayment by borrowing the principal from a third party with interest expense of RMB 1,086,478. On November 28, 2008, Hyundai HZ repaid the interest amount due, which was RMB 3,719,611. After effecting the repayment of the loan that was made by its supplier, Hyundai HZ offset the repayment amounts against amounts that Hyundai HZ owed to the supplier for lighting products that supplier had provided to Hyundai HZ.

Other than the loan to the supplier of Hyundai HZ, all of the loans were unsecured with no fixed repayment date. The loans were borrowed and repaid frequently. Normally, it was agreed that the loan amounts were to be paid back within three to six months from the date of the loan transaction. We ceased to enter into the loan transactions in November 2008.

At the time of the loans, Mr. Li was the 100% owner of Hyundai HK, which was the 100% owner of Hyundai HZ. He was also a director of the entities. On July 18, 2008, Mr. Li sold his 100% ownership in Hyundai HK to China Intelligent Electronic Holding Company Limited., which was transferred to Ms. Jin Xiang Ying and obtained by us on January 15, 2010 upon the closing of the Share Exchange.

In November 2008, we ceased to enter into the loan transactions with Mr. Li and NIVS Group. On November 28, 2008, Hyundai HZ and Hyundai HK entered into a Debt Repayment and Set-Off Agreement with Mr. Li. Pursuant to the Agreement, as it was amended on December 22, 2008, Hyundai HZ and Hyundai HK agreed to completely and immediately repay all outstanding loan amounts that owed by them. Pursuant to the Debt Repayment and Set-Off Agreement, Hyundai HZ and Hyundai HK repaid an aggregate of $996,433 to Mr. Li and the NIVS Group such that Hyundai HZ and Hyundai HK no longer owed any loan amounts to Mr. Li or the NIVS Group.

In October and December 2008, Hyundai HK and China Intelligent entered into a debt forgiveness agreement with Mr. Li pursuant to which Mr. Li agreed to waive approximately $0.9 million and $0.2 million owed to Mr. Li by the parties, respectively. As of December 31, 2008, we and our subsidiaries had no debt owed to Mr. Li and the resulting contributed capital from such debt forgiveness from Mr. Li was approximately $1.2 million.

Sale of Raw Materials

From time to time, we sell raw materials to the NIVS Group. For the years ended December 31, 2008 and 2007, we sold an aggregate amount of approximately $898,000 and $519,000, respectively, of raw materials to the NIVS Group, from which we received approximately $214,000 and $54,000, in net profit, respectively. We had no such sales during the three months ended March 31, 2010 and for the year ended December 31, 2009.

We believe that sales transactions are at fair market value and are on terms comparable to those that would have been reached in arm's-length negotiations had the parties been unaffiliated at the time of the negotiations.

Transfer of Intellectual Property Rights

Tianfu Li was the original owner of five patents in China that we rely on in the operation of our business. Pursuant to two patent transfer certificates dated June 1, 2008 Mr. Li transferred the patents to Hyundai HZ. Mr. Li did not receive any consideration for the transfer and assignment of the intellectual property rights to Hyundai HZ.

Indemnification Agreement for Value Added Tax

In 2007, through our subsidiary Hyundai Light, we received an approval from the local agent of national taxation authority, the State Taxation Bureau of Huicheng District, Huizhou, Guangdong (the "Huicheng Taxation Bureau"), to pay a 4% simplified VAT for fiscal years 2008, 2009, and 2010. Such favorable tax policy was provided to us in accordance with the local government's strategy of "to build a brand lighting production based in Huizhou". As a result of this approval, our total tax savings for fiscal 2008 and 2009 was more than approximately $7.0 million; there will be additional tax savings in fiscal 2010.

In January 2010, we entered into an Indemnification Agreement and Security Agreement with Li Xuemei, our Chief Executive Officer and Chairman of the Board, pursuant to which Ms. Li agreed to indemnify and pay to us amounts that would make us whole for any tax liability, penalty, loss, or other amounts expended as a result of any removal of our reduced 4% simplified VAT rate, including any requirement to make up all of the underpaid taxes. The primary reason that Ms. Li entered into the agreement was due to the possibility that the grant of the reduced VAT tax rate to us by the Huicheng Taxation Bureau may be overturned by higher levels of the PRC government and the potential negative effects on our results of operations and financial position if such event were to occur. We believed that investors may be reluctant to participate in the Private Placement that we conducted concurrently with the Share Exchange. Ms. Li believed that the revocation of the reduced VAT rate is remote, as does our management. The reasons that Ms. Li and our management believe that the revocation of the reduced VAT rate is remote are:

- the VAT reduction was granted by a governmental unit with authority to do so;
- the rate reduction was done with all facts known by all parties;
- although we are not aware of many businesses such as ours that receive a simplified VAT rate, we also have no knowledge of similar revocations, nor are there any known court cases or administrative matters of which we are aware in which a revocation has taken place; and
- the issuance of the rate reduction by local authorities was by an appropriately sanctioned administrative procedure.

Ms. Li did not have a material relationship to our company's receipt of approval for 4% simplified VAT from the local agent of Huicheng Taxation Bureau; however, she desired that the Private Placement and Share Exchange be completed and she volunteered to indemnify us against our losses if such revocation occurred. Ms. Li believed that the investors in the Private Placement, which are primary residents in the United States, would not be familiar with the PRC tax system and wished to provide an additional layer of comfort and protection to the Private Placement investors and future shareholders of our company, who also may not be familiar with the PRC tax system, as a benefit to our company and shareholders. Pursuant to the terms of the Indemnification Agreement and Security Agreement, if Ms. Li is unable to or fails to pay all such amounts due to us under the agreement, we would have the right to obtain the proceeds from a forced sale of the real estate property secured under the Security Agreement; and if such sale proceeds were insufficient to cover amounts due to us, we would be able to cancel a number of shares of common stock in our company held by Ms. Li in an amount equal any shortfall.

Policy for Approval of Related Party Transactions

In March 2010, we established an Audit Committee and adopted an Audit Committee Charter. The Charter contains our policy for approval of related party transactions. Our policy is to have our Audit Committee review and pre-approve any related party transactions and other matters pertaining to the integrity of management, including potential conflicts of interest, trading in our securities, or adherence to standards of business conduct as required by our policies.

BENEFICIAL OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, MANAGEMENT, AND SELLING STOCKHOLDERS

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, shares of common stock subject to options and warrants held by that person that are currently exercisable or become exercisable within 60 days of the date of this prospectus are deemed outstanding even if they have not actually been exercised. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

The following table sets forth certain information with respect to beneficial ownership of our common stock based on issued and outstanding shares of common stock before and after the offering, by:

- Each person known to be the beneficial owner of 5% or more of our outstanding common stock;
- Each executive officer;
- Each director;
- All of the executive officers and directors as a group; and
- Each selling stockholder.

The number of shares of our common stock outstanding as of the date of this prospectus, excludes up to 3,350,000 shares of our common stock to be offered by us in a firm commitment public offering concurrently herewith. Unless otherwise indicated, the persons and entities named in the table have sole voting and sole investment power with respect to the shares set forth opposite the stockholder’s name, subject to community property laws, where applicable. Unless otherwise indicated, the address of each beneficial owner listed in the table is c/o China Intelligent Lighting and Electronics, Inc., No. 29 & 31, Huanzhen Road, Shuikou Town, Huizhou, Guangdong, China.

Name and Address of Beneficial Owner	Title	Beneficial Ownership Before the Offering		Number of Shares Being Offered(2)	Beneficial Ownership After the Offering	
		Shares of Common Stock	Percent of Class(1)		Shares of Common Stock	Percent of Class(3)
Directors and Executive Officers						
Li Xuemei	Chief Executive Officer, President, and Chairman of the Board	3,809,348	38.5%	-	3,809,348	28.4%
Kui (Kevin) Jiang	Chief Financial Officer and Corporate Secretary	-	-	-	-	-
Wu Shiliang	Executive Vice President, Sales and Marketing and Director	-	-	-	-	-
Dong Bin	Chief Operating Officer	-	-	-	-	-
Michael Askew	Director	-	-	-	-	-
Su Yang	Director	-	-	-	-	-
Zhang Hongfeng	Director	-	-	-	-	-
Officers and Directors as a Group (total of 7 persons)		3,809,348	38.5%	-	3,809,348	28.4%
5% or More Owners						
Richard A. Rappaport(4) 1900 Avenue of the Stars, Suite 310 Los Angeles, CA 90067		1,774,435	16.8%	-	1,774,435	12.6%
WestPark Capital Financial Services, LLC(5) 1900 Avenue of the Stars, Suite 310 Los Angeles, CA 90067		1,472,346	14.0%	-	972,346	7.3%

(1) Based on 9,893,704 shares of common stock issued and outstanding as of June 15, 2010.

(2) Up to 502,500 shares may be sold by the selling stockholders and us if the Underwriters exercise the over-allotment option. See “Selling Stockholders” table that follows.

(3) Based on 13,243,704 shares of common stock, which consists of (i) 9,893,704 shares of common stock issued and outstanding as of June 15, 2010, and (ii) 3,350,000 shares of common stock issued in the public offering. This amount (i) excludes the 195,048 shares of our common stock that we may issue upon the Underwriters’ over-allotment option exercise, (ii) excludes 440,358 shares of common stock underlying warrants that are exercisable at $0.0002 (after taking into account the cancellation of warrants to purchase 350,000 shares at the closing of this offering), and (iii) is not affected by the 307,452 shares that the Underwriters may be purchased from selling stockholders named below.

(4) Richard A. Rappaport served as President and director of the Company prior to the Share Exchange. Includes 146,880 shares of common stock and a warrant to purchase 46,457 shares of common stock owned by Mr. Rappaport, in addition to the shares of common stock and warrants to purchase common stock owned by the Amanda Rappaport Trust and the Kailey Rappaport Trust (together, the “Rappaport Trusts”) and WestPark Capital Financial Services, LLC, which totals 941,466 shares and 639,632 warrants. Mr. Rappaport, as Trustee of the Rappaport Trusts and CEO and Chairman of WestPark Capital Financial Services, LLC, may be deemed the indirect beneficial owner of these securities and disclaims beneficial ownership of the securities except to the extent of his pecuniary interest in the securities.

(5) Beneficial ownership prior to the offering consists of 858,846 shares and a warrant to purchase 613,500 shares owned by WestPark Capital Financial Services, LLC, which agreed to cancel 350,000 of its warrants upon closing of this offering. Mr. Rappaport is CEO and Chairman of WestPark Capital Financial Services, LLC and Mr. Rappaport may be deemed the indirect beneficial owner of these securities and disclaims beneficial ownership of the securities except to the extent of his pecuniary interest in the securities.

Selling Stockholders

The Underwriters have a 45-day option to purchase up to 502,500 additional shares of common stock at the public offering price solely to cover over-allotments, if any, if the Underwriters sell more than 3,350,000 shares of common stock in this offering (the “Over-allotment Shares”). The Underwriters agreed to purchase 61.2% of the Over-allotment Shares, or 307,452 shares, from the selling stockholders identified in this prospectus and the remaining 38.8%, or 195,048 shares, will be purchased from us. We will not receive any proceeds from the sale of the shares, if any, by the selling stockholders. The selling stockholders acquired their shares in the private placement that we conducted on January 15, 2010 pursuant to which we sold we sold an aggregate of 1,377,955 shares of common stock for a total of $3.5 million.

Except as indicated below, no selling stockholder is the beneficial owner of any additional shares of common stock or other equity securities issued by us or any securities convertible into, or exercisable or exchangeable for, our equity securities. Except as indicated below, no selling security holder is a registered broker-dealer or an affiliate of a broker-dealer.

Except as described below, none of the selling stockholders, to our knowledge, has had a material relationship with our company other than as a shareholder at any time within the past three years.

Name of Selling Stockholder	Beneficial Ownership Before the Offering: Shares of Common Stock		Beneficial Ownership Before the Offering: Percent of Class(1)	Number of Shares Being Offered(2)	Beneficial Ownership After the Offering: Shares of Common Stock	Beneficial Ownership After the Offering: Percent of Class(3)
MidSouth Investor Fund LP	137,795	(4)	1.4%	36,751	101,044	*
Micro PIPE Fund I, LLC	75,000	(5)	*	20,003	54,997	*
Berg, Howard	69,685		*	18,586	51,099	*
J&N Invest LLC	68,268	(6)	*	18,208	50,060	*
Kuber, Douglas	50,000		*	13,335	36,665	*
Stellar Capital Fund LLC	50,000	(7)	*	13,335	36,665	*
Delaware Charter , Tax Id #51-0099493, FBO David H Clarke R/O IRA #2056-8346, C/O Legent Clearing, 9300 Underwood Sutie 400, Omaha, NE 68114	40,354	(8)	*	10,762	29,592	*
Colman, Frederic	35,236		*	9,397	25,839	*
Daybreak Special Situations Mater Fund, Ltd.	30,000	(9)	*	8,001	21,999	*
S. Gerlach & L. Gerlach, TTEE FBO Stanley Wayne Gerlach, Jr. & Linda Bozarth Gerlach	29,528	(10)	*	7,875	21,653	*
Clarke, David H.	29,291		*	7,812	21,479	*
Rothstein, Norman	25,000		*	6,667	18,333	*
Metsch, Richard	23,622		*	6,300	17,322	*
Merkel, Charles M.	22,441		*	5,985	16,456	*
Donald, Linda Lou	19,685		*	5,250	14,435	*
Jordon, David L.	19,685		*	5,250	14,435	*
Tangiers Investors LP	19,685	(11)	*	5,250	14,435	*
Tedesco, Joseph and Gino	15,700		*	4,187	11,513	*
Pawliger, Richard	15,000		*	4,000	11,000	*
Antin, Norman B.	12,500		*	3,334	9,166	*
Boyer, David L.	11,811		*	3,150	8,661	*
Blisko, Solomon	11,795		*	3,146	8,649	*
Hoefer, Richard and Donna	11,024		*	2,940	8,084	*
BDB Irrevocable Family Trust D/T/D 7/20/07 Duane H. Butcher TTEE	10,236	(12)	*	2,730	7,506	*
Antunes, Louis Philippe	10,000		*	2,667	7,333	*

Kendall, Peter M.	10,000 (13)	*	2,667	7,333	*
Mickelson Living Trust	10,000	*	2,667	7,333	*
Rothstein, Steven	10,000	*	2,667	7,333	*
Silverberg, Lawrence	10,000	*	2,667	7,333	*
Gordon, Morton	9,843	*	2,625	7,218	*
Lefkowitz, Harold	9,843	*	2,625	7,218	*
Woolam, Gerald L.	9,843	*	2,625	7,218	*
Frederic Colman C/F Daniela Colman	8,858 (14)	*	2,362	6,496	*
Frederick and Karen Stahl TTEE	7,874 (15)	*	2,100	5,774	*
McCartney, Timothy	7,874	*	2,100	5,774	*
Ulrich, Max	7,874 (16)	*	2,100	5,774	*
Miriam S. Mooney Trust F/B/O David Forrer	7,717 (17)	*	2,058	5,659	*
Miriam S. Mooney Trust F/B/O Joan Connolly	7,677	*	2,047	5,630	*
Darwin, Charles Barnes II	7,500	*	2,000	5,500	*
Forrer, John O.	7,008	*	1,869	5,139	*
Chazanovitz, David A.	7,000	*	1,867	5,133	*
Grossman, Martin	6,294	*	1,679	4,615	*
Seidenfeld, Steven	6,000	*	1,600	4,400	*
Miriam S. Mooney Trust F/B/O Catherine Sotto	5,984 (18)	*	1,596	4,388	*

Name of Selling Stockholder	Beneficial Ownership Before the Offering Shares of Common Stock	Beneficial Ownership Before the Offering Percent of Class(1)	Number of Shares Being Offered(2)	Beneficial Ownership After the Offering Shares of Common Stock	Beneficial Ownership After the Offering Percent of Class(3)
Katz, David C.	5,906	*	1,575	4,331	*
Lurie, William and Rita	5,906	*	1,575	4,331	*
Perry, Frank	5,906	*	1,575	4,331	*
Zeev Tafel and Yehouda Chehebar	5,750	*	1,534	4,216	*
Borell, Martin H.	5,000	*	1,333	3,667	*
Jerkins, Ken M.	5,000	*	1,333	3,667	*
Kiening, James S.	5,000	*	1,333	3,667	*
Magalnick, Daniel	5,000	*	1,333	3,667	*
Mauser, Joseph T.	5,000	*	1,333	3,667	*
Paul, Melvyn	5,000	*	1,333	3,667	*
Steenhoek, Loren	5,000	*	1,333	3,667	*
Teitelbaum, Jay	5,000	*	1,333	3,667	*
Whittle, Brian A.	5,000	*	1,333	3,667	*
Frederic Colman C/F Samuel Colman	4,921(19)	*	1,312	3,609	*
Weissler, Alan	4,500	*	1,200	3,300	*
Blair, Chris & Julie	4,000	*	1,067	2,933	*
Jelcada, LP	3,937(20)	*	1,050	2,887	*
Mitchell J. Lipcon Profit Sharing Keough Plan	3,937(21)	*	1,050	2,887	*
Vanhook, Benjamin	3,750	*	1,000	2,750	*
Tyson, Darryl J.	3,346	*	892	2,454	*
Cooke, Carl G.	3,189	*	851	2,338	*
Scher, Leslie	3,170	*	845	2,325	*
Izes, Bernard and Selma	2,953	*	788	2,165	*
Yablonsky, Mitchell	2,953	*	788	2,165	*
Dolen, William J. Jr. and Louise M.	2,500	*	667	1,833	*
Feltri, Donald and Jean	2,500	*	667	1,833	*
Getz, Norman	2,500	*	667	1,833	*
Goldstein, Gary	2,500	*	667	1,833	*
Helsley, Charles	2,500	*	667	1,833	*
Huber, Raymond & Joan	2,500	*	667	1,833	*
Krauser, Jack T.	2,500	*	667	1,833	*
Matt, Jamie Michael	2,500	*	667	1,833	*
Palmatier, Steven Jon	2,500	*	667	1,833	*
Quave, Gerald J. Jr.	2,500	*	667	1,833	*
Simon, Steve	2,500	*	667	1,833	*
Stancil, Donald R.	2,500	*	667	1,833	*
Stange, David W.	2,500	*	667	1,833	*
Tafel, Zeev	2,500	*	667	1,833	*
Berry, Allan and Susan	2,100	*	560	1,540	*
Delaware Charter, Tax id #51-0099493, FBO James A DeCotis IRA #3059-4716, C/O	2,000(22)	*	533	1,467	*

Legent Clearing, 9300 Underwood, Suite 400, Omaha, NE 68114					
Sasson Joury IRA	1,550	*	413	1,137	*
Cohen, Robert and Debbie	1,500	*	400	1,100	*
Delaware Charter, Tax id #51-0099493, FBO Lynita C DeCotis IRA #7537-9018, C/O Legent Clearing, 9300 Underwood, Suite 400, Omaha, NE 68114	1,000(23)	*	267	733	*

(1) Based on 9,893,704 shares of common stock issued and outstanding as of June 15, 2010.

(2) This column consists of 307,452 shares that may be sold by the selling stockholders if the Underwriters exercise the over-allotment option in full.

(3) Based on 13,243,704 shares of common stock, which consists of (i) 9,893,704 shares of common stock issued and outstanding as of June 15, 2010, and (ii) 3,350,000 shares of common stock issued in the public offering. This amount (i) excludes the 195,048 shares of our common stock that we may issue upon the Underwriters' over-allotment option exercise, (ii) excludes 440,358 shares of common stock underlying warrants that are exercisable at $0.0002 (after taking into account the cancellation of warrants to purchase 350,000 shares at the closing of this offering), and (iii) is not affected by the 307,452 shares that the Underwriters may be purchased from selling stockholders named above.

(4) Lyman O. Heidtke, as general partner has voting and investment control over the shares owned by this entity.

(5) David F. Mickelson, as managing member, has voting and investment control over the shares owned by this entity.

(6) Jeffrey Rubin, as manager, has voting and investment control over the shares owned by this entity.

(7) Richard Schmidt, as managing member of the general partner, has voting and investment control over the shares owned by this entity.

(8) David H. Clarke has voting and investment control over the shares owned by this entity.

(9) Larry Butz as managing partner of the general partner has voting and investment control over the shares owned by this entity.

(10) Stanley Wayne Gerlach, Jr. and Linda B. Gerlach, as trustees, president and secretary, have voting and investment control over the shares owned by this entity.

(11) Justin Ederle, as managing member of the general partner, has voting and investment control over the shares owned by this entity.

(12) Duane H. Butcher, as Trustee has voting and investment control over the shares owned by this entity.

(13) David F. Mickelson as Trustee has voting and investment control over the shares owned by this entity.

(14) Frederic Colman as Custodian has voting and investment control over the shares owned by this entity.

(15) Frederic Colman as Custodian has voting and investment control over the shares owned by this entity.

(16) John O. Forrer, as trustee, has voting and investment control over the shares owned by this entity.

(17) John O. Forrer, as trustee, has voting and investment control over the shares owned by this entity.

(18) John O. Forrer, as trustee, has voting and investment control over the shares owned by this entity.

(19) Frederic Colman as Custodian has voting and investment control over the shares owned by this entity.

(20) John O Forrer as general partner has voting and investment control over the shares owned by this entity.

(21) Mitchell J. Lipcon, as Trustee, has voting and investment control over the shares owned by this entity.

(22) James Anthony DeCotis has voting and investment control over the shares owned by this entity.

(23) Lynita Carla DeCotis is has voting and investment control over the shares owned by this entity.

DESCRIPTION OF SECURITIES

Common Stock

We are authorized to issue 100,000,000 shares of common stock, $0.0001 par value per share, of which 9,893,704 shares are issued and outstanding as of the date of this prospectus. Each outstanding share of common stock is entitled to one vote, either in person or by proxy, on all matters that may be voted upon by their holders at meetings of the stockholders.

Holders of our common stock:

(i) have equal ratable rights to dividends from funds legally available therefore, if declared by our Board of Directors;

(ii) are entitled to share ratably in all of our assets available for distribution to holders of common stock upon our liquidation, dissolution or winding up;

(iii) do not have preemptive, subscription or conversion rights or redemption or sinking fund provisions; and

(iv) are entitled to one non-cumulative vote per share on all matters on which stockholders may vote at all meetings of our stockholders.

The holders of shares of our common stock do not have cumulative voting rights, which means that the holders of more than fifty percent (50%) of outstanding shares voting for the election of directors can elect all of our directors if they so choose and, in such event, the holders of the remaining shares will not be able to elect any of our directors.

Li Xuemei, our former shareholder of China Intelligent BVI, and her designees that received shares in the Share Exchange beneficially own or control approximately 71.7% of our outstanding shares immediately prior to the closing of our public offering. Accordingly, Ms. Li and the designees are in a position to control all of our affairs.

Preferred Stock

We may issue up to 10,000,000 shares of our preferred stock, par value $0.0001 per share, from time to time in one or more series. No shares of Preferred Stock have been issued.

Our Board of Directors, without further approval of our stockholders, is authorized to fix the dividend rights and terms, conversion rights, voting rights, redemption rights, liquidation preferences and other rights and restrictions relating to any series. Issuances of shares of preferred stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of our common stock and prior series of preferred stock then outstanding.

Warrants

Prior to the Share Exchange, our stockholders held an aggregate of 3,548,196 warrants to purchase shares of our common stock. Our stockholders cancelled an aggregate of 2,757,838 warrants in conjunction with the closing of the Share Exchange. As of the date of this prospectus, the stockholders held an aggregate of 790,358 warrants with an exercise price of $0.0002 per share. WestPark Capital Financial Services, LLC, one of the warrant holders, agreed to cancel 350,000 of its warrants upon closing of this offering. The warrants are currently exercisable. According to the terms of the warrant agreement, the warrants expire on the earlier of October 11, 2017 or five years from the date we consummate a merger or other business combination with an operating business or any other event pursuant to which we cease to be a “shell company,” as defined by Rule 12b-2 under the Securities Exchange Act of 1934 and a “blank check company,” as defined by Rule 419 of the Securities Act of 1933. As a result of the close of the Share Exchange on January 15, 2010, the warrants will expire on January 15, 2015.

In addition, we plan to issue a warrant to the Underwriters as partial compensation for underwriting services in connection with this offering. The Underwriters will be able to purchase up to 167,500 shares of common stock at an exercise price equal to 120% of the per share offering price of our shares of common stock in this offering. The warrants will have a term of five years. The warrants will be subject to standard anti-dilution adjustments for stock splits and similar transactions, and will become exercisable 180 days after the date of this prospectus and expire five years from the effective date of the registration statement of which this prospectus forms a part.

Market Price of Our Common Stock

The shares of our common stock are not currently listed or quoted for trading on any national securities exchange or national quotation system. NYSE Amex has approved the listing of our common stock under the ticker symbol “CIL”, subject to official notice of issuance. If and when our common stock is listed or quoted for trading, the price of our common stock will likely fluctuate in the future. The stock market in general has experienced extreme stock price fluctuations in the past few years. In some cases, these fluctuations have been unrelated to the operating performance of the affected companies. Many companies have experienced dramatic volatility in the market prices of their common stock. We believe that a number of factors, both within and outside our control, could cause the price of our common stock to fluctuate, perhaps substantially. Factors such as the following could have a significant adverse impact on the market price of our common stock:

- Our financial position and results of operations;

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Concern as to, or other evidence of, the reliability and safety of our products and services or our competitors' products and services;

- Our ability to obtain additional financing and, if available, the terms and conditions of the financing;
- Announcements of innovations or new products or services by us or our competitors;
- Federal and state regulatory actions and the impact of such requirements on our business;
- The development of litigation against us;
- Changes in estimates of our performance by any securities analysts;
- The issuance of new equity securities pursuant to a future offering or acquisition;
- Changes in interest rates;
- Competitive developments, including announcements by competitors of new products or services or significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- Period-to-period fluctuations in our operating results;

- Investor perceptions of us; and
- General economic and other national conditions.

Delaware Anti-Takeover Law and Charter Bylaws Provisions

We are subject to Section 203 of the Delaware General Corporation Law. This provision generally prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date the stockholder became an interested stockholder, unless:

- prior to such date, the Board of Directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to such date, the business combination is approved by the Board of Directors and authorized at an annual meeting or special meeting of stockholders and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an “interested stockholder” as any entity or person beneficially owning 15% or more of the outstanding voting stock of a corporation, or an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of a corporation at any time within three years prior to the time of determination of interested stockholder status; and any entity or person affiliated with or controlling or controlled by such entity or person.

Our certificate of incorporation and bylaws contain provisions that could have the effect of discouraging potential acquisition proposals or making a tender offer or delaying or preventing a change in control of our company, including changes a stockholder might consider favorable. In particular, our certificate of incorporation and bylaws, as applicable, among other things, will:

- provide our board of directors with the ability to alter our bylaws without stockholder approval; and
- provide that vacancies on our board of directors may be filled by a majority of directors in office, although less than a quorum.

Such provisions may have the effect of discouraging a third-party from acquiring us, even if doing so would be beneficial to our stockholders. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by them, and to discourage some types of transactions that may involve an actual or threatened change in control of our company. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal and to discourage some tactics that may be used in proxy fights. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

However, these provisions could have the effect of discouraging others from making tender offers for our shares that could result from actual or rumored takeover attempts. These provisions also may have the effect of preventing changes in our management.

Transfer Agent

The transfer agent and registrar for our common stock is Corporate Stock Transfer, Inc.

Listing

NYSE Amex has approved the listing of our common stock under the ticker symbol “CIL”, subject to official notice of issuance.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market could adversely affect market prices. Upon completion of this offering, we will have outstanding an aggregate of 13,243,704 shares of common stock, assuming no exercise of the Underwriters' over-allotment option. The 3,350,000 shares sold in this offering, in addition to the 1,377,955 shares of our common stock that we are concurrently registering under a separate prospectus for resale by the selling stockholders named under such prospectus, will be freely tradable without restriction or further registration under the Securities Act, except that any shares purchased by our "affiliates," as that term is defined in Rule 144 of the Securities Act, may generally only be sold in compliance with the limitations of Rule 144 described below.

All other outstanding shares not sold in this offering will be deemed "restricted securities" as defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 promulgated under the Securities Act, which rules are summarized below. Our stockholders will not be eligible to utilize Rule 144 until January 19, 2011, at the earliest, which is 12 months from the date we filed our Form 10 information, as required under Rule 144. Subject to the lock-up agreements described below and the provisions of Rules 144, additional shares will be available for sale in the public market as follows (excluding 440,358 shares of common stock underlying warrants that are exercisable at $0.0002 (after taking into account the cancellation of warrants to purchase 350,000 shares at the closing of this offering) and up to 167,500 shares of common stock that may underlie the Underwriters' warrants).

Approximate Number of Shares Eligible for Future Sale	Date
3,350,000	After the date of this prospectus, freely tradable shares sold in this offering, excluding the 502,500 additional shares that the Underwriters have a 45-day option to purchase from us and the selling stockholders identified in this prospectus.
1,377,955	After the date of this prospectus, these shares will have been registered under a separate prospectus ("Resale Prospectus") and will be freely tradable by selling stockholders listed in the Resale Prospectus, subject to the lock-up arrangement described below. These shares consist of all of the shares of common stock registered under the Resale Prospectus. The selling stockholders have agreed that (i) if this offering is for $10 million or more, then the selling stockholders would not be able to sell or transfer their shares until at least six months after this offering's completion, and (ii) if this offering is for less than $10 million, then one-tenth of the selling stockholders' shares would be released from the lock-up restrictions ninety days after this offering and there would be a pro rata release of the shares thereafter every 30 days over the following nine months. WestPark Capital, Inc., in its discretion, may also release some or all the shares from the lock-up restrictions earlier. Assuming our sale of 3,350,000 shares of common stock at an assumed public offering price of $3.00 per share of common stock, we currently intend this offering to be in an amount equal to approximately $10.1 million. Accordingly, the investors would be subject to lock-up restrictions such that they would be able to sell and/or transfer all of their shares six months after the public offering's completion, subject to early release by WestPark Capital, Inc.
1,208,359	Subject to a lock-up arrangement described below, these shares, which were held by our shareholders prior to the Share Exchange (the "Existing Security holders"), will be freely tradable

		after the Securities and Exchange Commission declares effective the registration statement that we intend to file on or about August 26, 2010, which is 10 days after the end of the six-month period that immediately follows the date on which we filed the registration statement of which this prospectus is a part. Included in the 1,208,359 shares are 290,358 shares of common stock underlying warrants that have been previously issued to the Existing Security holders, which are currently exercisable at $0.0002 per share. The Existing Security holders have agreed that they will not sell any of their shares subject to the same restrictions as that of the selling stockholders, as described above.
650,000		These shares are held by WestPark Capital Financial Services, LLC, which agreed not sell or transfer the shares until 12 months after our shares of common stock begin trading on the NYSE Amex. Included in the 650,000 shares are 150,000 shares of common stock underlying warrants that have been previously issued to WestPark Capital Financial Services, LLC, which are currently exercisable at $0.0002 per share. These shares exclude 350,000 shares of common stock underlying warrants that WestPark Capital Financial Services, LLC agreed to cancel upon the closing of this offering.
	7,097,748	On January 19, 2011, which is twelve months after the filing of a current report on Form 8-K reporting the closing of the share exchange transaction, these shares, which were issued in connection with the share exchange transaction, may be sold under and subject to Rule 144. However, all of the holders of these shares have agreed with the Underwriters not to directly or indirectly sell, offer, contract or grant any option to sell, pledge, transfer (excluding intra-family transfers, transfers to a trust for estate planning purposes or to beneficiaries of officers, directors and shareholders upon their death), or otherwise dispose of or enter into any transaction which may result in the disposition of any shares of our common stock or securities convertible into, exchangeable or exercisable for any shares of our common stock, without the prior written consent of the Underwriters, for a period of 24 months after the date of this prospectus.

Rule 144

In general, under Rule 144 a person, or persons whose shares are aggregated, who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale and who has beneficially owned shares of our common stock for at least nine months, including the holding period of any prior owner, except if the prior owner was one of our affiliates, would be entitled to sell all of their shares, provided the availability of current public information about our company.

Sales under Rule 144 may also subject to manner of sale provisions and notice requirements and to the availability of current public information about our company. Any substantial sale of common stock pursuant to any resale registration statement or Rule 144 may have an adverse effect on the market price of our common stock by creating an excessive supply.

Because we were a shell company with no operations prior to the close of the Share Exchange, none of our shares of common stock may not be sold under Rule 144 until January 19, 2011, which is 12 months after the filing of a current report on Form 8-K reporting the closing of the Share Exchange.

Lock-Up Agreements and Registration

The investors in our Private Placement, in which we sold 1,377,955 shares of common stock, along with all of our pre-Share Exchange shareholders except for WestPark Capital Financial Services, LLC, entered into lock-up agreements pursuant to which they agreed that (i) if this offering is for $10 million or more, then the investors would not be able to sell or transfer their shares until at least six months after this offering's completion, and (ii) if this offering is for less than $10 million, then one-tenth of the investors' shares would be released from the lock-up restrictions ninety days after the offering and there would be a pro rata release of the shares thereafter every 30 days over the following nine months. WestPark Capital, Inc., in its discretion, may also release some or all the shares from the lock-up restrictions earlier. Assuming our sale of 3,350,000 shares of common stock at an assumed public offering price of $3.00 per share of common stock, we currently intend this offering to be in an amount equal to approximately $10.1 million. Accordingly, the investors would be subject to lock-up restrictions such that they would be able to sell and/or transfer all of their shares six months after the public offering's completion, subject to early release by WestPark Capital, Inc.

Notwithstanding the foregoing, such investors must provide written confirmation to the WestPark Capital, Inc. and us (the "Confirmations") that he, she or it (i) is and has been in compliance with any and all state and federal securities and other laws, statues and regulations regarding his, her or its ownership and/or any sale, transfer or hypothecation of shares of our common stock including but not limited to those rules and regulations promulgated by the SEC, FINRA and any exchange on which the our common stock is listed, and those of federal and state governments and other agencies such as improper short selling of our common stock and failure to properly file all documents required by the SEC or otherwise and (ii) does not wish to have the shares subject to such partial release to continue to bear a lock-up legend, failure to provide such written confirmation being sufficient grounds to allow the placement agent, in its sole discretion, to disallow the automatic release of such shares until the expiration in totality of the referenced lock-up. Subject to the lock-up agreement, the shares will be freely tradable upon effectiveness of the registration statement that we filed to register the investors' shares.

We have agreed to register 1,418,001 shares of common stock and the 790,358 shares of common stock underlying the warrants held by our stockholders immediately prior to the Share Exchange (the "Existing Security holders"). Each Existing Security holders, other than WestPark Capital Financial Services, LLC, agreed to similar lock-up restrictions as the investors in the Private Placement. The shares will be included in a registration statement that we agreed to file on or about August 26, 2010, which is 10 days after the end of the six-month period that immediately follows the date on which we filed the registration statement of which this prospectus is a part. WestPark Capital Financial Services, LLC agreed that (i) 358,846 shares of our common stock that it holds and 113,500 shares issuable upon exercise of outstanding warrants will be subject to the same lock-up restrictions as the private placement investors, (ii) 350,000 of its warrants would be cancelled upon closing of this public offering, and (iii) the remaining 500,000 shares of our common stock held by it and 150,000 shares of common stock issuable upon outstanding warrants would be subject to transfer restrictions until 12 months after our common stock begins trading on the NYSE Amex.

We have agreed with the Underwriters that we will not, without the prior consent of the Underwriters, directly or indirectly sell, offer, contract or grant any option to sell, pledge, transfer, or otherwise dispose of or enter into any transaction which may result in the disposition of any shares of our common stock or securities convertible into, exchangeable or exercisable for any shares of our common stock (excluding the exercise of certain warrants and/or options currently outstanding and exercisable), or purchase or offer to purchase any shares of our capital stock, for a period of 24 months after the date of this prospectus.

In addition, each of our executive officers and directors, in addition to all of the stockholders that received shares issued in the Share Exchange holding an aggregate of 7,097,748 shares of common stock, have agreed with the Underwriters not to directly or indirectly sell, offer, contract or grant any option to sell, pledge, transfer (excluding intra-family transfers, transfers to a trust for estate planning purposes or to beneficiaries of officers, directors and stockholders upon their death), or otherwise dispose of or enter into any transaction which may result in the disposition of any shares of our common stock or securities convertible into, exchangeable or exercisable for any shares of our common stock, without the prior written consent of the Underwriters, for a period of 24 months after the date of this prospectus.

We have been advised by the Underwriters that they have no present intention and there are no agreements or understandings, explicit or tacit, relating to the early release of any locked-up shares. The Underwriters may, however, consent to an early release from the lock-up period if, in its opinion, the market for the common stock would not be adversely impacted by sales. The release of any lock-up would be considered on a case-by-case basis. Factors that the Underwriters may consider in deciding whether to release shares from the lock-up restriction include the length of time before the lock-up expires, the number of shares involved, the reason for the requested release, market conditions, the trading price of our securities, historical trading volumes of our securities and whether the person seeking the release is an officer, director or affiliate of us.

UNDERWRITING (CONFLICTS OF INTEREST)

Subject to the terms and conditions of the underwriting agreement dated [_________], 2010 Rodman & Renshaw, LLC ("Rodman") and WestPark Capital, Inc. ("WestPark," and together with Rodman, the "Underwriters"), have agreed to purchase from us the number of shares of common stock set forth below at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. Rodman is acting as Lead Manager and WestPark is acting as the Co-Manager for this offering.

Underwriters	Number of Shares
Rodman & Renshaw, LLC	[_____]
WestPark Capital, Inc.	[_____]
Total	3,350,000

The underwriting agreement provides that the agreement may be terminated by the Underwriters at any time prior to delivery of and payment for the shares if, in the Underwriters' judgment, payment for and delivery of the shares is rendered impracticable or inadvisable by reason of events specified in the underwriting agreement, including but not limited to the state of the financial markets and our financial condition. Subject to the foregoing, the Underwriters are committed to purchase all of the common stock being offered by us if any of such shares are purchased, other than those covered by the over-allotment option described below. The address of Rodman is 1251 Avenue of the Americas, 20th Floor, New York, NY 10020. The address of WestPark is 1900 Avenue of the Stars, Suite 310, Los Angeles, CA 90067.

The Underwriters propose to offer the common stock directly to the public at the public offering price set forth on the cover page of this prospectus. The Underwriters may offer the common stock to some dealers at that price less a concession not in excess of $[__] per share. Dealers may re-allow a concession not in excess of $[__] per share to some other dealers. After the shares of common stock are released for sale to the public, the Underwriters may vary the offering price and other selling terms.

The Underwriters have a 45-day option to purchase up to 502,500 additional shares of common stock at the public offering price solely to cover over-allotments, if any, if the Underwriters sell more than 3,350,000 shares of common stock in this offering (the "Over-allotment Shares"). The Underwrites agreed to purchase up to 61.2% of the Over-allotment Shares from the selling stockholders identified in this prospectus and the remaining shares from us. We will not receive any proceeds from the sale of the shares, if any, by the selling stockholders. The Underwriters can exercise this right at any time and from time to time, in whole or in part, within 45 days after the offering.

The following table summarizes the compensation and estimated expenses we and the selling stockholders will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting Discounts and Commissions paid by us	$	$	$	$
Expenses payable by us	$	$	$	$
Underwriting Discounts and Commissions paid by selling stockholders	$	$	$	$
Expenses payable by the selling stockholders	$	$	$	$

The Underwriters may make offers and sales both inside and outside the United States through its selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the SEC.

The Underwriters have entered into an agreement in which they agree to restrictions on where and to whom they and any dealer purchasing from them may offer shares of common stock, as a part of the distribution of the shares. The Underwriters also have agreed that they may sell shares of common stock among themselves.

We have agreed with the Underwriters that we will not, without the prior consent of the Underwriters, directly or indirectly sell, offer, contract or grant any option to sell, pledge, transfer, or otherwise dispose of or enter into any transaction which may result in the disposition of any shares of our common stock or securities convertible into, exchangeable or exercisable for any shares of our common stock (excluding the exercise of certain warrants and/or options currently outstanding and exercisable) for a period of 24 months after the date of this prospectus.

Each of our executive officers and directors, in addition to all of the stockholders that received shares issued in the Share Exchange holding an aggregate of 7,097,748 shares of common stock, have agreed with the Underwriters not to directly or indirectly sell, offer, contract or grant any option to sell, pledge, transfer (excluding intra-family transfers, transfers to a trust for estate planning purposes or to beneficiaries of officers, directors and stockholders upon their death), or otherwise dispose of or enter into any transaction which may result in the disposition of any shares of our common stock or securities convertible into, exchangeable or exercisable for any shares of our common stock, without the prior written consent of the Underwriters, for a period of 24 months after the date of this prospectus.

We have agreed to indemnify the Underwriters against some liabilities, including liabilities under the Securities Act, and to contribute to payments that the Underwriters may be required to make in respect thereof.

We have agreed to pay the Underwriters an aggregate non-accountable expense allowance of 2.5% of the gross proceeds of this offering or $[__], based on a public offering price of $[__] per share. In addition, we have agreed to pay all fees relating to background checks for 10 officers and directors of the Company (up to a maximum amount of $28,922), the Underwriters' road show expenses of $10,000 and counsel fees (excluding blue sky fees) of $40,000.

Upon the closing of this offering, we have agreed to sell to the Underwriters warrants to purchase a number of shares equal to 5% of the shares of our common stock sold in this offering, excluding any shares that may be sold pursuant to the Underwriters' exercise of the over-allotment option. The warrants will be exercisable at a per share exercise price equal to 120% of the public offering price, subject to standard anti-dilution adjustments for stock splits and similar transactions, and will become exercisable 180 days after the date of this prospectus and expire five years from the effective date of the registration statement date of which this prospectus forms a part. The warrants and the 167,500 shares of common stock underlying the warrants have been deemed compensation by the FINRA and are therefore subject to a 180-day lock-up pursuant to FINRA Rule 5110(g)(1). The Underwriters (or permitted assignees under the Rule) will not sell, transfer, assign, pledge, or hypothecate the warrants or the securities underlying the warrants, nor will it engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the warrants or the underlying securities for a period of 180 days from the date of this prospectus. Additionally, the warrants may not be sold transferred, assigned, pledged or hypothecated for a one-year period (including the foregoing 180 day period) following the effective date of the registration statement except to any underwriter and selected dealer participating in the offering and their bona fide officers or partners. Although the warrants and the underlying shares of common stock have been registered on the registration statement of which this prospectus forms a part, the warrants grant holders certain demand and "piggy back" registration rights. These rights apply to all of the securities directly and indirectly issuable upon exercise of the warrants. We will bear all fees and expenses attendant to registering the securities issuable on exercise of the warrants, other than underwriting commissions incurred and payable by the holders

The Underwriters may engage in over-allotment, stabilizing transactions, syndicate covering transactions, penalty bids and passive market making in accordance with Regulation M under the Exchange Act. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a syndicate covering transaction to cover syndicate short positions. Penalty bids may have the effect of deterring syndicate members from selling to people who have a history of quickly selling their shares. In passive market making, market makers in the common stock who are Underwriters or prospective underwriters may, subject to some limitations, make bids for or purchases of the common stock until the time, if any, at which a stabilizing bid is made. These stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the common stock to be higher than it would otherwise be in the absence of these transactions. These transactions may be effected on the NYSE Amex or otherwise and, if commenced, may be discontinued at any time.

In connection with the offering, the Underwriters may make short sales of the issuer's shares and may purchase the issuer's shares on the open market to cover positions created by short sales. Short sales involve the sale by the Underwriters of a greater number of shares than they are required to purchase in the offering. 'Covered' short sales are sales made in an amount not greater than the Underwriters' over-allotment option to purchase additional shares in the offering. The Underwriters may close out any covered short position by either exercising its overallotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the Underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. 'Naked' short sales are sales in excess of the overallotment option. The Underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Similar to other purchase transactions, the Underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the issuer's stock or preventing or retarding a decline in the market price of issuer's stock. As a result, the price of the issuer's stock may be higher than the price that might otherwise exist in the open market.

Prior to this offering, there has been no public market of the common stock. Consequently, the public offering price will be determined by negotiations between us and the Underwriters. Among the factors considered in these negotiations will be prevailing market conditions, the market capitalizations and the stages of development of other companies that we and the Underwriters believe to be comparable to us, estimates of our business potential, our results of operations in recent periods, the present state of our development and other factors deemed relevant.

NYSE Amex has approved the listing of our common stock under the ticker symbol “CIL”, subject to official notice of issuance.

We estimate that our out of pocket expenses for this offering will be approximately $0.9 million.

Conflicts of Interest

Affiliates of WestPark beneficially own more than 10% of the Company. Because WestPark is an Underwriter and its affiliates beneficially own more than 10% of the Company, WestPark has a “conflict of interest” and is an “affiliate” of us under NASD Conduct Rule 2720(f)(5). Accordingly, this offering is being conducted in accordance with NASD Conduct Rule 2720. This rule requires that a “qualified independent underwriter,” as defined by FINRA, participate in the preparation of the registration statement and prospectus, and exercise the usual standards of due diligence in respect thereto. Rodman is assuming the responsibilities of acting as the qualified independent underwriter in this offering. The public offering price will be no higher than that recommended by Rodman. We have agreed to indemnify Rodman against any liabilities arising in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act.

Foreign Regulatory Restrictions on Purchase of the Common Stock

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the common stock or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the common stock may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the common stock may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon for us by K&L Gates LLP, Los Angeles, California. Loeb & Loeb LLP, New York, New York, is acting as counsel for the Underwriters. Legal matters as to PRC law will be passed upon for the Underwriters by B&D Law Firm. Legal matters as to PRC law will be passed upon for us by Han Kun Law Offices. K&L Gates LLP may rely upon Han Kun Law Offices with respect to matters governed by PRC law.

EXPERTS

The (i) consolidated financial statements of China Intelligent Lighting and Electronics, Inc. as of December 31, 2009 and for the year ended December 31, 2009 (ii) condensed parent-only balance sheet of China Intelligent Lighting and Electronics, Inc. as of December 31, 2009, and the related condensed parent-only statements of income and cash flows for the year ended December 31, 2009 included in footnote 20 to the Consolidated Financial Statements of China Intelligent Lighting and Electronics, Inc., each appearing in this prospectus and registration statement have been audited by MaloneBailey, LLP, an independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The (i) consolidated financial statements of China Intelligent Lighting and Electronics, Inc. as of December 31, 2008 and 2007 and for the years ended December 31, 2008 and 2007 (ii) and the condensed parent-only balance sheet of China Intelligent Lighting and Electronics, Inc. as of December 31, 2008 and the related condensed parent-only statements of operations and cash flows for the year ended December 31, 2008 and the period October 11, 2007 (inception) to December 31, 2007 included in footnote 20 to the Consolidated Financial Statements of China Intelligent Lighting and Electronics, Inc., each appearing in this prospectus and registration statement have been audited by Kempisty & Company Certified Public Accountants PC, an independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

We filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933 for the shares of common stock in this offering. This prospectus does not contain all of the information in the registration statement and the exhibits and schedule that were filed with the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and the exhibits and schedule that were filed with the registration statement. Statements contained in this prospectus about the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and we refer you to the full text of the contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedules that were filed with the registration statement may be inspected without charge at the Public Reference Room maintained by the Securities and Exchange Commission at 100 F Street, N.E. Washington, DC 20549, and copies of all or any part of the registration statement may be obtained from the Securities and Exchange Commission upon payment of the prescribed fee. Information regarding the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

We file periodic reports under the Securities Exchange Act of 1934, including annual, quarterly and special reports, and other information with the Securities and Exchange Commission. These periodic reports and other information are available for inspection and copying at the regional offices, public reference facilities and website of the Securities and Exchange Commission referred to above.

We are in the process of establishing a corporate website and expect to have it complete in the near future. We intend to make available free of charge on or through our internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

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CHINA INTELLIGENT LIGHTING AND ELECTRONICS, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Guangdong, PRC

We have audited the accompanying consolidated balance sheet of China Intelligent Lighting and Electronics, Inc. and Subsidiaries (“the Company”) as of December 31, 2009 and the related consolidated statements of income, change in stockholders’ equity, cash flows and comprehensive income for the year then ended. These financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides 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 China Intelligent Lighting and Electronics, Inc. and Subsidiaries as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ MALONEBAILEY, LLP

www.malone-bailey.com
Houston, Texas

April 21, 2010

KEMPISTY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, P.C.
15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
China Intelligent Lighting and Electronics, Inc.
Guangdong, PRC

We have audited the accompanying consolidated balance sheets of China Intelligent Lighting and Electronics, Inc. as of December 31, 2008 and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income and cash flows for each of years in the two year period ended December 31, 2008. 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. The Company is not required at this time to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 financial statements referred to above present fairly, in all material respects, the financial position of China Intelligent Lighting and Electronics, Inc. at December 31, 2008 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2008, in conformity with accounting principles generally accepted in the in the United States of America.

Kempisty & Company
Certified Public Accountants PC
New York, New York
January 29, 2010 (except Note 19, March 30, 2010)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
China Intelligent Lighting and Electronics, Inc.
Guangdong, PRC

We have audited the condensed Parent Only balance sheet of China Intelligent Lighting and Electronics, Inc. (the "Company") as of December 31, 2009 and the related condensed Parent Only statements of income and cash flows for the year then ended included in Footnote 20 to the Consolidated Financial Statements of the Company. These Parent Only condensed financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required at this time, to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides a reasonable basis for our opinion.

In our opinion, the condensed Parent Only financial statements referred to above present fairly, in all material respects, the financial position of China Intelligent Lighting and Electronics, Inc. at December 31, 2009 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the in the United States of America.

/s/ MALONEBAILEY, LLP

www.malone-bailey.com
Houston, Texas

April 21, 2010

KEMPISTY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, P.C.
15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
China Intelligent Lighting and Electronics, Inc.

We have audited the condensed Parent Only balance sheet of China Intelligent Lighting and Electronics, Inc. as of December 31, 2008 and the related condensed Parent Only statements of operations and cash flows for the year ended December 31, 2008 and the period October 11, 2007 (inception) to December 31, 2007 included in Footnote 20 to the Consolidated Financial Statements of China Intelligent Lighting and Electronics, Inc. These Parent Only condensed financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required at this time, to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides a reasonable basis for our opinion.

In our opinion, the condensed Parent Only financial statements referred to above present fairly, in all material respects, the financial position of China Intelligent Lighting and Electronics, Inc. at December 31, 2008 and the results of its operations and its cash flows for the year ended December 31, 2008 and the period October 11, 2007 (inception) to December 31, 2007 in conformity with accounting principles generally accepted in the in the United States of America.

Kempisty & Company
Certified Public Accountants PC
New York, New York
January 29, 2010 (except Note 19, March 30, 2010)

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Consolidated Balance Sheets
(In US Dollars)

	March 31, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Assets			
Current Assets			
Cash and cash equivalents	$ 2,609,277	$ 469,341	$ 264,189
Trade receivables, net	14,861,699	13,424,362	3,466,749
VAT refundable	384,225	168,765	494,515
Inventories, net	3,897,755	3,923,533	4,496,301
Prepaid expenses and other receivables	3,512	-	-
Advances to suppliers	1,947,281	2,369,134	1,514,056
Restricted cash	352,106	352,051	-
Total current assets	24,055,855	20,707,186	10,235,810
Property and equipment, net	3,358,436	3,450,745	3,670,451
Total Assets	$ 27,414,291	$ 24,157,931	$ 13,906,261
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable - trade	$ 3,619,945	$ 3,579,095	$ 1,736,016
Accrued liabilities and other payable	619,825	1,224,359	1,703,952
Customer deposits	358,283	148,757	201,123
Corporate tax payable	232,625	372,275	-
Short-term loan	850,924	938,802	-
Total current liabilities	5,681,602	6,263,288	3,641,091
Stockholders' Equity			
Preferred stock, $0.0001 par value, 10,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2010 and December 31, 2009 and 2008	-	-	-
Common stock, $0.0001 par value, 100,000,000 shares authorized, 9,893,704 shares issued and outstanding at March 31, 2010 and 7,097,748 shares issued and outstanding at December 31, 2009 and 2008	989	710	710
Additional paid-in capital	4,389,866	1,389,163	1,389,163
Accumulated other comprehensive income	681,680	716,048	666,395
Statutory reserves	2,201,627	2,201,627	1,331,015
Retained earnings (unrestricted)	14,458,527	13,587,095	6,877,887
Total stockholders' equity	21,732,689	17,894,643	10,265,170
Total Liabilities and Stockholders' Equity	$ 27,414,291	$ 24,157,931	$ 13,906,261

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

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Consolidated Statements of Income
(In US Dollars)

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)	(Unaudited)			
Revenue	$ 14,857,193	$ 11,987,437	$ 59,261,297	$ 42,943,934	$ 16,551,918
Cost of goods sold	(11,458,652)	(9,449,867)	(45,688,490)	(32,953,816)	(12,446,963)
Gross profit	3,398,541	2,537,570	13,572,807	9,990,118	4,104,955
General and administrative					
Selling expenses	626,854	550,961	2,533,447	2,072,493	1,046,578
General and administrative	1,333,847	220,442	1,463,835	1,130,849	498,427
Research and development	280,726	104,205	894,814	741,746	321,968
Total operating expenses	2,241,427	875,608	4,892,096	3,945,088	1,866,973
Income from operations	1,157,114	1,661,962	8,680,711	6,045,030	2,237,982
Other income (expenses):					
Government grant	-	-	16,300	-	-
Interest income	239	1,061	6,156	11,081	2,014
Interest expense	(12,042)	-	(40,786)	(215,041)	-
Imputed interest	-	-	-	(73,264)	(31,260)
Total other expenses	(11,803)	1,061	(18,330)	(277,224)	(29,246)
Income before income taxes	1,145,311	1,663,023	8,662,381	5,767,806	2,208,736
Income taxes	(273,879)	(203,595)	(1,082,561)	-	-
Net income	$ 871,432	$ 1,459,428	$ 7,579,820	$ 5,767,806	$ 2,208,736
Earnings per share - Basic	$ 0.09	$ 0.21	$ 1.07	$ 0.81	$ 0.31
Weighted-average shares outstanding, Basic	9,458,778	7,097,748	7,097,748	7,097,748	7,097,748
Earnings per share - Diluted	$ 0.09	$ 0.21	$ 1.07	$ 0.81	$ 0.31
Weighted-average shares outstanding, Diluted	10,126,191	7,097,748	7,097,748	7,097,748	7,097,748

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

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity and of Comprehensive Income
For the years ended December 31, 2009, 2008 and 2007 and the three months ended March 31, 2010
(In US Dollars)

	Common Stock Share	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Statutory Reserves	Retained Earnings (Unrestricted)	Total Stockholders' Equity
Balance at December 31, 2006	7,097,748	$ 710	$ 333,357	$ 24,608	$ 26,458	$ 205,902	$ 591,035
Imputed interest	-	-	31,260	-	-	-	31,260
Allocation of retained earnings to statutory reserve fund	-	-	-	-	214,978	(214,978)	-
Foreign currency translation adjustment	-	-	-	151,780	-	-	151,780
Net income for the year	-	-	-	-	-	2,208,736	2,208,736
Balance at December 31, 2007	7,097,748	710	364,617	176,388	241,436	2,199,660	2,982,811
Imputed interest	-	-	73,264	-	-	-	73,264
Allocation of retained earnings to statutory reserve fund	-	-	-	-	1,089,579	(1,089,579)	-
Contributed capital	-	-	951,282	-	-	-	951,282
Foreign currency translation adjustment	-	-	-	490,007	-	-	490,007
Net income for the year	-	-	-	-	-	5,767,806	5,767,806
Balance at December 31, 2008	7,097,748	710	1,389,163	666,395	1,331,015	6,877,887	10,265,170
Allocation of retained earnings to statutory reserve fund	-	-	-	-	870,612	(870,612)	-
Foreign currency translation adjustment	-	-	-	49,653	-	-	49,653
Net income for the year	-	-	-	-	-	7,579,820	7,579,820
Balance at December 31,	7,097,748	710	1,389,163	716,048	2,201,627	13,587,095	17,894,643

2009

Retain of 1,418,001 shares held by original SRKP 22 shareholders	1,418,001	142	(142)	-	-	-	-
Issuance of 1,377,955 shares at $2.54 per share in private offering, net of offering costs	1,377,955	137	3,000,845	-	-	-	3,000,982
Foreign currency translation adjustment	-	-	-	(34,368)	-	-	(34,368)
Net income for the three months ended March 31, 2010 (Unaudited)	-	-	-	-	-	871,432	871,432
Balance at March 31, 2010 (unaudited)	9,893,704	$ 989	$ 4,389,866	$ 681,680	$ 2,201,627	$ 14,458,527	$ 21,732,689

	For the Three Months Ended			For the Year Ended	
	March 31, 2010 (Unaudited)	March 31, 2009 (Unaudited)	December 31, 2009	December 31, 2008	December 31, 2007
Net income	$ 871,432	$ 1,459,428	$ 7,579,820	$ 5,767,806	$ 2,208,736
Other comprehensive income, net of tax:					
Unrealized gain on foreign currency translation	(34,368)	(12,728)	49,653	490,007	151,780
Comprehensive income	$ 837,064	$ 1,446,700	$ 7,629,473	$ 6,257,813	$ 2,360,516

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

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In US Dollars)

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2010 (Unaudited)	2009 (Unaudited)	2009	2008	2007
Cash Flows From Operating Activities					
Net income	$ 871,432	$ 1,459,428	$ 7,579,820	$ 5,767,806	$ 2,208,736
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation expense	88,869	88,185	357,712	187,117	42,175
Imputed interest	-	-	-	73,264	31,260
Changes in operating assets and liabilities:					
Account receivable-trade	(1,435,210)	(3,360,836)	(9,957,193)	(2,725,781)	(553,263)
VAT refundable	(215,433)	381,477	325,810	(494,515)	-
Advance to suppliers for purchases	422,228	(92,133)	(854,894)	(781,918)	226,371
Inventories, net	26,400	1,597,864	573,313	(2,693,282)	(1,430,708)
Accounts payable and accrued liabilities	(564,445)	27,220	1,363,068	1,553,296	1,150,382
Customer deposits	209,502	(28)	(52,390)	151,030	(55,659)
Prepaid expense	(3,512)	-	-	-	-
Corporate tax payable	(139,709)	203,595	372,275	-	-
Net cash provided by (used in) operating activities	(739,878)	304,772	(292,479)	1,037,017	1,619,294
Cash Flows From Investing Activities					
Restricted cash	-	-	(352,051)	-	-
Purchases of property and equipment	-	(1,172)	(138,821)	(3,046,466)	(553,294)
Net cash used in investing activities	-	(1,172)	(490,872)	(3,046,466)	(553,294)
Cash Flows From Financing Activities					
Proceeds from loans	-	-	1,169,440	5,575,522	-
Repayments of loans	(88,027)	-	(233,888)	(5,575,522)	-
Due to shareholders	-	-	-	(29,549)	(187,001)
Due to affiliated companies	-	-	-	668,206	401,748
Net proceeds of share issuance	3,000,982	-	-	-	-
Net cash provided by (used in) financing activities	2,912,955	-	935,552	638,657	214,747
Effect of exchange rate changes on cash	(33,141)	(1,321)	52,951	133,390	103,407
Net increase (decrease) in cash and cash equivalents	2,139,936	302,279	205,152	(1,237,402)	1,384,154
Cash and cash equivalents, beginning of period	469,341	264,189	264,189	1,501,591	117,437
Cash and cash equivalents, end of period	$ 2,609,277	$ 566,468	$ 469,341	$ 264,189	$ 1,501,591
Supplemental disclosure information:					
Income taxes paid	$ 401,815	$ -	$ 711,575	$ -	$ -
Interest paid	$ 12,040	$ -	$ 40,786	$ 215,041	$ -
Supplemental non-cash financing activity:					
Loan contributed to capital	$ -	$ -	$ -	$ 1,207,281	$ -

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

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009, 2008 and 2007 and
the Three Months Ended March 31, 2010 and 2009

NOTE 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION

China Intelligent Lighting and Electronics, Inc. ("China Intelligent US", or "the Company") (formerly SRKP 22, Inc.) was incorporated under the laws of the State of Delaware on October 11, 2007. SRKP 22 agreed to issue an aggregate of 7,097,748 shares of its common stock in exchange for all of the issued and outstanding share capital of China Intelligent Electric Holding Limited under a Share Exchange Agreement (the "Share Exchange"). The Share Exchange closed on January 15, 2010. After the share exchange, China Intelligent Lighting and Electronics, Inc. became parent company of China Intelligent Electric Holding Limited.

China Intelligent Electric Holding Limited ("China Intelligent BVI" or "China Intelligent") (formerly DDC Digital International Company Limited ("DDC Digital")) was incorporated under the laws of British Virgin Island on December 10, 2003. The name of the Company was changed from DDC Digital to NIVS Intelligent Electric Holding Company Limited ("NIVS Intelligent") on December 20, 2007, and further to China Intelligent on August 26, 2008.

China Intelligent BVI has 50,000 common shares authorized with $1.00 par value each and 1 share is issued and outstanding. Mr. Tianfu Li ("Mr. Li") was the original sole shareholder with original investment of $50,000. On March 8, 2007, Mr. Li transferred 100% ownership in China Intelligent to Ms. Xiangying Jing ("Ms. Jing") and therefore Ms. Jing became the sole shareholder and director of China Intelligent. On February 18, 2009, Ms. Xuemei Li, sister of Mr. Li, ("Ms. Li") acquired 1 share issued and outstanding then and became the sole shareholder and director of China Intelligent.

Korea Hyundai Light & Electric (International) Holding Limited ("Hyundai HK") was incorporated under the laws of Hong Kong, PRC on April 27, 2005 by the original sole shareholder Mr. Li. Hyundai HK has 2,000,000 common shares authorized with HKD 1 par value each and 2,000,000 shares are issued and outstanding. On July 17, 2008, Mr. Li transferred 100% ownership in Hyundai HK to China Intelligent. Hyundai HK became a subsidiary of China Intelligent thereafter.

Hyundai Light & Electric (HZ) Co., Ltd. ("Hyundai HZ") is located at Huizhou, Guangdong Province, PRC and incorporated under the Chinese laws on July 6, 2005. Hyundai HZ had an initial registered capital of HKD 2 million, and it was increased to HKD 20 million in 2008. Prior to July 17, 2008, Hyundai HZ was the wholly owned subsidiary of Hyundai HK. Mr. Li as the sole shareholder and director of Hyundai HK was also the director of Hyundai HZ. On July 17, 2008, pursuant to an ownership transfer agreement, China Intelligent acquired 100% interests in Hyundai HZ from Hyundai HK. Hyundai HZ became a subsidiary of China Intelligent thereafter.

China Intelligent US and its subsidiaries, China Intelligent, Hyundai HK and Hyundai HZ shall collectively refer throughout as the "Company".

To enable Hyundai HZ to go public, Mr. Li made the following restructuring arrangements in order to spinoff his control and ownership from all the entities, and placed Hyundai HZ under the control of China Intelligent with Ms. Li as the director and management of the entities:

1. On March 8, 2007, Mr. Li transferred 100% ownership in China Intelligent to Ms. Jing; therefore Ms. Jing became the sole shareholder and director of China Intelligent.

2.

On June 30, 2008, Hyundai HK transferred its 100% ownership interest in Hyundai HZ to China Intelligent for $8 million; therefore China Intelligent became the sole shareholder of Hyundai HZ.

3. On July 17, 2008, Mr. Li transferred his 100% ownership in Hyundai HK to China Intelligent for HKD 2 million and forgave the HKD 2 million receivable; therefore China Intelligent became the sole shareholder of Hyundai HK and appointed Ms. Jing as director of Hyundai.

4. On February 18, 2009, Ms. Jing transferred her 100% ownership in China Intelligent to Ms. Li; therefore Ms. Li became the sole shareholder and director of China Intelligent. At the same time, Ms. Li replaced Ms. Jing as sole director of Hyundai HK.

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009, 2008 and 2007 and
the Three Months Ended March 31, 2010 and 2009

NOTE 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION (CONTINUED)

For accounting purposes, the restructuring transactions are being accounted as business combination of entities under common control. The various entities and restructuring transactions have an underlying purpose of going public. Furthermore, the director and management of the entities are Mr. Li and Ms. Li, respectively. The Company accounted for restructuring transactions as combination of entities under common control similar to a pooling of interest transaction, and the historical financial statements include the operations of Hyundai HK and Hyundai HZ for all periods presented.

Through its wholly owned subsidiary, Hyundai HZ, China Intelligent engages in research, development, assembling, marketing and sales of intelligent lighting products including LED, residential, commercial, outdoor, and municipal engineering lighting products for the domestic and international market.

To summarize the paragraphs above, the organization and ownership structure of the Company is currently as follows:

On October 20, 2009, SRKP 22 entered into a share exchange agreement with China Intelligent BVI and the sole shareholder of China Intelligent BVI. Pursuant to the share exchange agreement, as amended by Amendment No. 1 dated November 25, 2009 and Amendment No. 2 dated January 15, 2010 (collectively, the “Exchange Agreement”), SRKP 22 agreed to issue an aggregate of 7,097,748 shares of its common stock in exchange for all of the issued and outstanding share capital of China Intelligent BVI (the “Share Exchange”). The Share Exchange closed on January 15, 2010.

Upon the closing of the Share Exchange, SRKP 22 issued an aggregate of 7,097,748 shares of its common stock to China Intelligent BVI’s sole shareholder and her designees in exchange for all of the issued and outstanding capital stock of China Intelligent BVI. Prior to the closing of the Share Exchange and the closing of a private placement that closed concurrently with the Share Exchange, shareholders of SRKP 22 canceled an aggregate of 2,130,195 shares held by them such that there were 1,418,001 shares of common stock outstanding immediately prior to the Share Exchange. SRKP 22 shareholders also canceled an aggregate of 2,757,838 warrants such that the shareholders held an aggregate of 790,358 warrants immediately after the Share Exchange. Immediately after the closing of the Share Exchange, the Company had 8,515,749 outstanding shares of common stock (excluding the 1,377,955 shares of common stock sold in the private placement), no outstanding shares of Preferred Stock, no outstanding options, and outstanding warrants to purchase 790,358 shares of common stock.

The warrants have an exercise price of $0.0002 per share and are currently exercisable. According to the terms of the warrants, the warrants expire on the earlier of October 11, 2017 or five years from the date that SRKP 22 consummates a merger or other business combination with an operating business or any other event pursuant to which SRKP 22 ceases to be a “shell company,” as defined by Rule 12b-2 under the Securities Exchange Act of 1934 and a “blank check company,” as defined by Rule 419 of the Securities Act of 1933. As a result of the close of the Share Exchange on January 15, 2010, the warrants will expire on January 15, 2015.

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009, 2008 and 2007 and
the Three Months Ended March 31, 2010 and 2009

NOTE 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION (CONTINUED)

For accounting purposes, the Share Exchange transaction is being accounted for as a reverse merger. The transaction has been treated as a recapitalization of China Intelligent BVI and its subsidiaries, with China Intelligent US (the legal acquirer of China Intelligent BVI and its subsidiaries including Hyundai HZ) considered the accounting acquiree and Hyundai HZ, the only operating company, and whose management took control of China Intelligent US (the legal acquiree of Hyundai HZ) is considered the accounting acquirer. The Company did not recognize goodwill or any intangible assets in connection with the transaction. The 7,097,748 shares of common stock issued to the shareholder of China Intelligent BVI and her designees in conjunction with the share exchange transaction have been presented as outstanding for all periods. The historical consolidated financial statements include the operations of the accounting acquirer for all periods presented.

On March 30, 2010, the Company's Board of Directors and stockholders authorized a 1-for-2 reverse stock split of the Company's outstanding shares of common stock (the "Reverse Stock Split"). References to shares in the consolidated financial statements and the accompanying notes, including, but not limited to, the number of shares and per share amounts, have been adjusted to reflect the Reverse Stock Split on a retroactive basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

The accompanying consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America.

In the opinion of the management, the consolidated financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position of the Company as of March 31, 2010 and December 31, 2009 and 2008, respectively, and the results of operations and cash flows for the three months ended March 31, 2010 and 2009, and for the years ended December 31, 2009, 2008 and 2007.

b. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Inter-company transactions have been eliminated in consolidation.

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 year. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

d. Reclassifications

Certain amounts in the consolidated financial statements for the prior years have been reclassified to conform to the presentation of the current year for the comparative purposes.

e. Fair values of financial instruments

The Company adopted ASC 820 "Fair Value Measurements," which defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosures requirements for fair value measures. Current assets and current liabilities qualified as financial instruments and management believes their carrying amounts are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and if applicable, their current interest rate is equivalent to interest rates currently available. The three levels are defined as follows:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009, 2008 and 2007 and
the Three Months Ended March 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Fair values of financial instruments (Continued)

- Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value.

As of the balance sheet date, the estimated fair values of the financial instruments were not materially different from their carrying values as presented due to the short maturities of these instruments and that the interest rates on the borrowings approximate those that would have been available for loans of similar remaining maturity and risk profile at respective period-ends. Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates the hierarchy disclosures each quarter.

f. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on deposit with various financial institutions in PRC, Hong Kong, US, and all highly-liquid investments with original maturities of three months or less at the time of purchase. Banks and other financial institutions in PRC do not provide insurance for funds held on deposit.

g. Restricted cash

The restricted cash consists of bank deposits pledged against short-term credit facilities provided by the banks and are recorded as asset.

h. Trade receivables

Trade receivables are recognized and carried at original invoiced amount less an allowance for uncollectible accounts, as needed.

The allowance for bad debts on trade receivables reflects management's best estimate of probable losses determined principally on the basis of historical experience. The allowance for bad debt is determined primarily on the basis of management's best estimate of probable losses, including specific allowances for known troubled accounts. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for bad debt. When facts subsequently become available to indicate that the amount provided as the allowance to date has been inadequate, an adjustment to the estimate is made at that time.

i. Inventories

Inventories are stated at the lower of cost, as determined on a weighted average basis, or market. Costs of inventories include purchase and related costs incurred in bringing the products to the Company's location and proper condition. Market value is determined by reference to selling prices after the balance sheet date or to management's estimates based on prevailing market conditions. The Company writes down the inventories to market value if it is below cost.

The Company also regularly evaluates the composition of its inventories to identify slow-moving and obsolete inventories to determine if a valuation allowance is required. Inventory levels are based on projections of future demand and market conditions. Any sudden decline in demand and/or rapid product improvements and technological changes can result in excess and/or obsolete inventories. There is a risk that we will forecast inventory needs incorrectly and purchase or produce excess inventory. As a result, actual demand may differ from forecasts, and such differences, if not managed, may have a material adverse effect on future results of operations due to required write-offs of excess or obsolete inventory.

j. Property and equipment

Property and equipment are initially recognized and recorded at cost. Gains or losses on disposals are reflected as gain or loss in the period of disposal. The cost of improvements that extend the life of plant and equipment are capitalized. These capitalized costs may include structural improvements, equipment and fixtures. All ordinary repairs and maintenance costs are expensed as incurred.

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009, 2008 and 2007 and
the Three Months Ended March 31, 2010 and 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Property and equipment (Continued)

Depreciation for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the assets:

Molds	10 years
Machinery and Equipment	10 years
Electronic Equipment	5 years
Office and Other Equipment	5 years

k. Impairment of long-lived assets

The Company evaluates potential impairment of long-lived assets, in accordance with ASC 360, "Accounting for Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of", which requires the Company to evaluate a long-lived asset for recoverability when there is event or circumstances that indicate the carrying value of the asset may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset or asset group is not recoverable (when carrying amount exceeds the gross, undiscounted cash flows from use and disposition) and is measured as the excess of the carrying amount over the asset's (or asset group's) fair value.

l. Customer deposit

The customer deposits are recorded as a liability when the Company receives it and recognized as revenue after the total amount is paid off upon the delivery of the products.

m. Income taxes

The Company accounts for income taxes in accordance with the asset and liability method for financial accounting and reporting for income taxes and allows recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain.

The Company accounts for uncertainty in income taxes in accordance with applicable accounting standards, which requires a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return (including a decision whether to file or not file a return in a particular jurisdiction).

n. Comprehensive income

The Company presents comprehensive income in accordance with applicable accounting standards, which requires the reporting and displaying of comprehensive income, its components, and accumulated balances in a full-set of general-purpose financial statements. Accumulated other comprehensive income represents the accumulated balance of foreign currency translation adjustments.

o. Revenue recognition

The Company generates revenues from the sales of lighting and electronic equipment. Sales revenues are recognized when the following four revenue criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed or determinable, and collectability is reasonably assured. Sales are presented net of value added tax (VAT). No return allowance is made as product returns have been insignificant in all periods.

Orders are placed by both the distributors and OEMs and the products are delivered to the customers within 30-45 days of order, the Company does not provide price protection or right of return to the customers. The price of the products are predetermined and fixed based on contractual agreements, therefore the customers would be responsible for any loss if the customers are faced with sales price reductions and rapid technology obsolescence in the industry. The Company does not allow any discounts, credits, rebates or similar privileges.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Revenue recognition (Continued)

The Company does not provide warranty for the products sold to customers since the majority of the customers are wholesalers and distributors. The Company specifies the delivery terms (usually 30 days after the order is placed) and the liability for breach of the contract. If the Company cannot fulfill the order terms, the customers have the right to recoup their deposit. If the products delivered do not meet the quality specifications or need to be reworked, the Company is responsible for the rework and the related expenses. If the customers decided to rework the products themselves, the Company will compensate its customers for the expenses incurred. The Company did not incur any costs related to breach of contract or product quality issues for sales for the three months ended March 31, 2010 and 2009, and for the years ended December 31, 2009, 2008, and 2007.

p. Advertising

The Company expenses advertising costs as incurred. Advertising is included in selling expenses for financial reporting. The Company spent $26,338, $23,735, $159,795, $203,812 and $255,739 for the three months ended March 31, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, respectively, on advertising expenses.

q. Research and development costs

Research and development costs are expensed to operations as incurred. The Company spent $280,726, $104,205, $894,814, $741,746, and $321,968 for the three months ended March 31, 2010 and 2009, and for the years ended December 31, 2009, 2008 and 2007, respectively, on direct research and development efforts.

r. Foreign currency translation

The functional currency of China Intelligent and Hyundai HK is Hong Kong Dollar (“HKD”). These two companies maintain their financial statements using the functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income (loss) for the respective periods.

The functional currency of Hyundai HZ is the Renminbi (“RMB”), the PRC’s currency. The Company maintains its financial statements using its own functional currency. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income (loss) for the respective periods.

For financial reporting purposes, the financial statements of China Intelligent and Hyundai HK, which are prepared in HKD, are translated into the Company’s reporting currency, United States Dollars (“USD”); the financial statements of Hyundai HZ, which is prepared in RMB, are translated into the Company’s reporting currency, USD. Balance sheet accounts are translated using the closing exchange rate in effect at the balance sheet date and income and expense accounts are translated using the average exchange rate prevailing during the reporting period.

Adjustments resulting from the translation, if any, are included in accumulated other comprehensive income (loss) in stockholder's equity.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. Foreign currency translation (Continued)

The exchange rates used for foreign currency translation were as follows (USD$1 = RMB):

Period Covered	Balance Sheet Date Rates	Average Rates
Year ended December 31, 2007	7.29410	7.59474
Year ended December 31, 2008	6.81710	6.93722
Year ended December 31, 2009	6.81720	6.84088
Three months ended March 31, 2010	6.81612	6.83603

The exchange rates used for foreign currency translation were as follows (USD$1 = HKD):

Period Covered	Balance Sheet Date Rates	Average Rates
Year ended December 31, 2007	7.80190	7.80153
Year ended December 31, 2008	7.74960	7.86342
Year ended December 31, 2009	7.75477	7.75218
Three months ended March 31, 2010	7.76406	7.76390

s. Related parties

A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

t. Recently issued accounting pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued a standard that established the FASB Accounting Standards Codification (ASC) and amended the hierarchy of generally accepted accounting principles (GAAP) such that the ASC became the single source of authoritative nongovernmental U.S. GAAP. The ASC did not change current U.S. GAAP, but was intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All previously existing accounting standard documents were superseded and all other accounting literature not included in the ASC is considered non-authoritative. New accounting standards issued subsequent to June 30, 2009 are communicated by the FASB through Accounting Standards Updates (ASUs). The Company adopted the ASC on July 1, 2009. This standard did not have an impact on the Company's consolidated results of operations or financial condition. However, throughout the notes to the consolidated financial statements references that were previously made to various former authoritative U.S. GAAP pronouncements have been changed to coincide with the appropriate section of the ASC.

In December 2007, the FASB issued and, in April 2009, amended a new business combinations standard codified within ASC 805, which changed the accounting for business acquisitions. Accounting for business combinations under this standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this standard impact the determination of acquisition-date fair value of consideration paid in a business combination (including contingent consideration); exclude transaction costs from acquisition accounting; and change accounting practices for acquisition-related restructuring costs, in-process research and development, indemnification assets, and tax benefits. The Company adopted the standard for business combinations for its business combination during the period ended June 30, 2009.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Recently issued accounting pronouncements (Continued)

In April 2009, the FASB issued an accounting standard which provides guidance on (1) estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly declined and (2) identifying transactions that are not orderly. The standard also amended certain disclosure provisions for fair value measurements and disclosures in ASC 820 to require, among other things, disclosures in interim periods of the inputs and valuation techniques used to measure fair value as well as disclosure of the hierarchy of the source of underlying fair value information on a disaggregated basis by specific major category of investment. The standard was effective prospectively beginning April 1, 2009. The adoption of this standard did not have a material impact on the Company's consolidated results of operations or financial condition.

In April 2009, the FASB issued an accounting standard which modifies the requirements for recognizing other-than-temporarily impaired debt securities and changes the existing impairment model for such securities. The standard also requires additional disclosures for both annual and interim periods with respect to both debt and equity securities. Under the standard, impairment of debt securities will be considered other-than-temporary if an entity (1) intends to sell the security, (2) more likely than not will be required to sell the security before recovering its cost, or (3) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). The standard further indicates that, depending on which of the above factor(s) causes the impairment to be considered other-than-temporary, (1) the entire shortfall of the security's fair value versus its amortized cost basis or (2) only the credit loss portion would be recognized in earnings while the remaining shortfall (if any) would be recorded in other comprehensive income. The standard requires entities to initially apply its provisions to previously other-than-temporarily impaired debt securities existing as of the date of initial adoption by making a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The cumulative-effect adjustment potentially reclassifies the noncredit portion of a previously other-than-temporarily impaired debt security held as of the date of initial adoption from retained earnings to accumulated other comprehensive income. The adoption of this standard did not have a material impact on the Company's consolidated results of operations or financial condition.

In April 2009, the FASB issued an accounting standard regarding interim disclosures about fair value of financial instruments. The standard essentially expands the disclosure about fair value of financial instruments that were previously required only annually to also be required for interim period reporting. In addition, the standard requires certain additional disclosures regarding the methods and significant assumptions used to estimate the fair value of financial instruments. The adoption of this standard did not have a material impact on the Company's consolidated results of operations or financial condition.

In May 2009, the FASB issued a new accounting standard regarding subsequent events. This standard incorporates into authoritative accounting literature certain guidance that already existed within generally accepted auditing standards, with the requirements concerning recognition and disclosure of subsequent events remaining essentially unchanged. This guidance addresses events which occur after the balance sheet date but before the issuance of financial statements. Under the new standard, as under previous practice, an entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that did not exist at the balance sheet date. This standard added an additional required disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued. For the Company, this standard was effective beginning April 1, 2009.

In June 2009, the FASB issued a new standard regarding the accounting for transfers of financial assets amending the existing guidance on transfers of financial assets to, among other things, eliminate the qualifying special-purpose entity concept, include a new unit of account definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarify and change the derecognition criteria for a transfer to be accounted for as a sale, and require significant additional disclosure. The standard is effective for new transfers of financial assets beginning January 1, 2010. The adoption of this standard did not have a material impact on the Company’s consolidated results of operations or financial condition.

In June 2009, the FASB issued an accounting standard that revised the consolidation guidance for variable-interest entities. The modifications include the elimination of the exemption for qualifying special purpose entities, a new approach for determining who should consolidate a variable-interest entity, and changes to when it is necessary to reassess who should consolidate a variable-interest entity. The standard is effective January 1, 2010. The adoption of this standard did not have a material impact on the Company’s consolidated results of operations or financial condition.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Recently issued accounting pronouncements (Continued)

In August 2009, the FASB issued ASU No. 2009-05, Measuring Liabilities at Fair Value, which provides additional guidance on how companies should measure liabilities at fair value under ASC 820. The ASU clarifies that the quoted price for an identical liability should be used. However, if such information is not available, a entity may use, the quoted price of an identical liability when traded as an asset, quoted prices for similar liabilities or similar liabilities traded as assets, or another valuation technique (such as the market or income approach). The ASU also indicates that the fair value of a liability is not adjusted to reflect the impact of contractual restrictions that prevent its transfer and indicates circumstances in which quoted prices for an identical liability or quoted price for an identical liability traded as an asset may be considered level 1 fair value. This ASU is effective October 1, 2009. The adoption of this standard did not have a material impact on the Company's consolidated results of operations or financial condition.

In January 2010, the FASB issued ASU No. 2010-6, Improving Disclosures About Fair Value Measurements, that amends existing disclosure requirements under ASC 820 by adding required disclosures about items transferring into and out of levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. This ASU is effective for the first quarter of 2010, except for the requirement to provide level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which is effective beginning the first quarter of 2011. Since this standard impacts disclosure requirements only, its adoption will not have a material impact on the Company's consolidated results of operations or financial condition.

In September 2009, the FASB issued ASU No. 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), that amends ASC 820 to provide guidance on measuring the fair value of certain alternative investments such as hedge funds, private equity funds and venture capital funds. The ASU indicates that, under certain circumstance, the fair value of such investments may be determined using net asset value (NAV) as a practical expedient, unless it is probable the investment will be sold at something other than NAV. In those situations, the practical expedient cannot be used and disclosure of the remaining actions necessary to complete the sale is required. The ASU also requires additional disclosures of the attributes of all investments within the scope of the new guidance, regardless of whether an entity used the practical expedient to measure the fair value of any of its investments. This ASU is effective October 1, 2009. The adoption of this standard did not have a material impact on the Company's consolidated results of operations or financial condition.

In October 2009, the FASB issued ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force, that provides amendments to the criteria for separating consideration in multiple-deliverable arrangements. As a result of these amendments, multiple-deliverable revenue arrangements will be separated in more circumstances than under existing U.S. GAAP. The ASU does this by establishing a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence nor third-party evidence is available. A vendor will be required to determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis. This ASU also eliminates the residual method of allocation and will require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the overall arrangement proportionally to each deliverable based on its relative selling price. Expanded disclosures of qualitative and quantitative information regarding application of the multiple-deliverable revenue arrangement guidance are also required under the ASU. The ASU does not apply to arrangements for which industry specific allocation and measurement guidance exists, such as long-term construction contracts and software transactions. The ASU is effective beginning January 1, 2011. The Company is currently evaluating the impact of this standard on the Company's consolidated results of operations and financial condition.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Recently issued accounting pronouncements (Continued)

In October 2009, the FASB issued ASU No. 2009-14, Certain Revenue Arrangements That Include Software Elements—a consensus of the FASB Emerging Issues Task Force, that reduces the types of transactions that fall within the current scope of software revenue recognition guidance. Existing software revenue recognition guidance requires that its provisions be applied to an entire arrangement when the sale of any products or services containing or utilizing software when the software is considered more than incidental to the product or service. As a result of the amendments included in ASU No. 2009-14, many tangible products and services that rely on software will be accounted for under the multiple-element arrangements revenue recognition guidance rather than under the software revenue recognition guidance. Under the ASU, the following components would be excluded from the scope of software revenue recognition guidance: the tangible element of the product, software products bundled with tangible products where the software components and non-software components function together to deliver the product's essential functionality, and undelivered components that relate to software that is essential to the tangible product's functionality. The ASU also provides guidance on how to allocate transaction consideration when an arrangement contains both deliverables within the scope of software revenue guidance (software deliverables) and deliverables not within the scope of that guidance (non-software deliverables). The ASU is effective beginning January 1, 2011. The Company is currently evaluating the impact of this standard on the Company's consolidated results of operations and financial condition.

NOTE 3 - TRADE RECEIVABLES, NET

Trade receivables consist of the following:

	March 31,	December 31,	
	2010	2009	2008
Trade receivables	$ 14,861,699	$ 13,424,362	$ 3,603,723
Allowance for doubtful accounts	-	-	(136,974)
Trade receivables, net	$ 14,861,699	$ 13,424,362	$ 3,466,749

The change in the allowance for doubtful accounts for the years ended December 31, 2009 and 2008 is as follows:

	March 31,	December 31,	
	2010	2009	2008
Beginning of period	$ -	$ (136,974)	$ (104,889)
Provision during the period	-	-	(24,317)
Reversal during the period	-	136,974	-
Effect of exchange rate changes	-	-	(7,768)
Ending balance	$ -	$ -	$ (136,974)

The Company did not record any allowance for doubtful accounts for the three months ended March 31, 2010 because the Company collected all the receivables outstanding from its customers based on its historical collection experience. The Company reversed its bad debt allowance recorded at December 31, 2008 during 2009 because the Company collected all of the receivables outstanding from these customers during 2009. As of December 31, 2009, the

Company did not record any allowance for bad debt because the Company determined all outstanding trade receivables are collectible based on its historical collection experience.

In addition, the Company requires certain customers to pay a deposit that is 30% of the total amount for each order. Deposit requirements are determined by the Company based on customer’s credit worthiness, the length and experience in relationship with customers, and the order size placed by the customer. In addition, the Company will charge a penalty equivalent to 0.5% of the remaining unpaid balance per day up to 20% of the total amount of the contract starting from two weeks after the due date.

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NOTE 4 - INVENTORIES

Inventories include raw material and finished goods. Finished goods contain direct material, direct labor and manufacturing overhead and do not contain general and administrative costs. Inventories consist of the following:

	March 31,	December 31,	
	2010	2009	2008
Raw materials	$ 2,594,171	$ 1,921,099	$ 2,425,235
Finished goods	1,303,584	2,002,434	2,071,066
Total	$ 3,897,755	$ 3,923,533	$ 4,496,301

NOTE 5 - ADVANCES TO SUPPLIERS

In accordance with the purchase contracts entered into by the Company and some suppliers, payment in advance is needed for the purchase of materials. The delivery term for the materials and equipment purchased is usually 30 days. In the event of a breach of contract, the Company has the following rights and penalty protection:

1. Recoup the deposit from the suppliers and charge double interest on the deposit according to the interest rate during the same period, and

2. Legally take possession of the materials and equipment from the suppliers.

The Company did not have any contract breaches during the three month ended March 31, 2010 and 2009, and the years ended December 31, 2009 and 2008 and 2007.

At March 31, 2010, four suppliers each individually accounted for more than 10% of the advances to suppliers and accounted for approximately 26%, 24%, 20% and 13% of total advances to suppliers. For the three months ended March 31, 2010, these four suppliers accounted for approximately 9%, 7%, 0% and 0% of total purchases made by the Company.

At December 31, 2009, one supplier accounted for more than 10% of the advances to suppliers and accounted for approximately 28% of total advances to suppliers. For the year ended December 31, 2009, this one supplier accounted for approximately 2% of total purchases made by the Company. Normally, within approximately 15 days after an order and the prepayment are made, the Company will receive ordered items. In September 2009, the Company placed a special order to this one supplier and the supplier requested a prepayment from the Company as such supplier typically does with its customers. The supplies ordered by the Company never met the Company’s standards and requirements until February 2010 and therefore there was a disproportionately high balance outstanding at December 31, 2009. This is an ordinary purchase transaction. There are no unusual terms under the purchase contract and the supplier is an unaffiliated third party.

At December 31, 2008, five suppliers accounted for more than 10% of the advances to suppliers and each accounted for approximately 26%, 18%, 10%, 10%, and 10% of total advances to suppliers, respectively. For the year ended December 31, 2008, these five suppliers accounted for approximately 7%, 2%, 1%, 2%, and 1% of total purchases made by the Company, respectively.

At December 31, 2007, two suppliers accounted for more than 10% of the advances to suppliers and each accounted for approximately 48% and 31% of total advances to suppliers, respectively. For the year ended December 31, 2007, these two suppliers accounted for approximately 27% and 33% of total purchases made by the Company, respectively.

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NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	March 31,	December 31,	
	2010	2009	2008
Molds	$ 3,173,245	$ 3,172,742	$ 3,097,139
Machinery and equipment	775,225	775,102	775,114
Electronic equipment	12,848	12,846	12,846
Office and other equipment	82,807	82,793	19,141
Subtotal	4,044,125	4,043,483	3,904,240
Less: Accumulated depreciation	(685,689)	(592,738)	(233,789)
Property and equipment, net	$ 3,358,436	$ 3,450,745	$ 3,670,451

Depreciation expense for the three months ended March 31, 2010 and 2009 and the years ended December 31, 2009, 2008, and 2007 was classified as follows:

	March 31,		December 31,		
	2010	2009	2009	2008	2007
Cost of goods sold	$ 84,601	$ 87,325	$ 352,301	$ 183,018	$ 38,570
General and administrative expenses	4,268	860	5,411	4,099	3,605
Total	$ 88,869	$ 88,185	$ 357,712	$ 187,117	$ 42,175

NOTE 7 - CUSTOMER DEPOSITS

The Company requires certain customers to pay 30% deposit of the total amount for each order. Deposit requirements are determined by the Company based on customer’s credit worthiness, the length and experience in relationship with customers, and the order size placed by the customer. The customer deposits are recorded as a liability when the Company receives it and are recognized as revenue upon the delivery of the products and title has passed to the buyer.

At March 31, 2010, four customers each individually accounted for more than 10% of the customer deposits and each accounted approximately 51%, 25%, 14% and 10% of total customer deposit, respectively.

At December 31, 2009, four customers accounted for more than 10% of the customer deposits and each accounted approximately 59%, 15%, 14% and 11% of total customer deposit, respectively.

At December 31, 2008, two customers accounted for more than 10% of the customer deposits and each accounted approximately 56% and 13% of total customer deposit, respectively.

At December 31, 2007, four customers accounted for more than 10% of the customer deposits and each accounted approximately 27%, 20%, 16%, and 12% of total customer deposit, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS

Prior to December 31, 2007, the Company borrowed various short-term demand loans from Mr. Li, a former director of the Company. These loans were used primarily for general working capital purposes. The short-term loans are non-secured and non-interest bearing.

On July 17, 2008, Mr. Li transferred his 100% ownership in Hyundai HK to China Intelligent for HKD 2 million (approximately $256,000). On October 1, 2008, Mr. Li signed a debt forgiveness agreement with China Intelligent to waive the outstanding amount owed resulted in an addition to additional paid in capital of $210,848 from the debt forgiveness.

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
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NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

Following is a summary of the Company's affiliated companies owned or controlled by Mr. Li:

	Shareholder	Title
NIVS Investment (SZ) Co. Ltd. ("NIVS SZ")	Mr. Li	Director
NIVS Group and subsidiaries ("NIVS Group")	Mr. Li	President
NIVS (HZ) Audio & Video Tech Co. Ltd. ("NIVS HZ")	NIVS Group	Company controlled by Mr. Li

Following are the transactions entered into by the Company with the above affiliated companies:

Supplier's Loan Guaranteed by the Company

On March 3, 2008, the Company entered into a purchase agreement in the amount of RMB 38,474,900 (approximately $5.7 million) with a manufacturing supplier (the "Supplier"). On March 12, 2008, NIVS (HZ) Audio & Video Tech Co. Ltd. ("NIVS HZ"), one of the Company's supplier (the "Supplier"), and the Company entered into a note agreement (the "Note"). The terms of the agreement are as follows:

1. NIVS HZ was to lend a maximum amount of RMB 38,474,900 (approximately $5.7 million) to the Supplier.

2. The interest rate on the Note was 1.5% per month paid by the Supplier with a maturity date of July 12, 2008.

3. The Note was guaranteed by the Company.

4. The Note had a penalty clause where 0.5% was to be assessed on the outstanding note amount if the Note was not repaid on time.

On June 16, 2008, a supplemental agreement was signed by the parties to extend the Note's maturity date to December 31, 2008.

On November 24, 2008, the Company took out a loan from an unrelated third party (the "Lender Loan") and paid off the outstanding loan amount of RMB 38,039,000 (approximately $5.7 million) owed to NIVS HZ.

In December 2008, the Company paid off the Lender Loan with interest after selling the finished goods purchased from the Supplier. The interest expense on the Lender Loan was RMB 259,748 (approximately $37,000). In order to repay the loan, the Company had to present the customer's trade receivables bank draft prematurely; therefore the Company was charged interest of RMB 1,231,995 (approximately $178,000).

Working Capital Loans

The Company had several short-term demand loans borrowed from affiliated companies that were used primarily for general working capital purposes.

On November 28, 2008, the Company, NIVS Group, and certain companies related to Mr. Li (collectively, the "Related Companies") entered into a Debt Repayment and Set-Off Agreement (the "Set-off Agreement") with Mr. Li. According to this agreement, all parties agreed to have all the related party loans repaid in full and set off against all debts that were owed to Mr. Li, and Mr. Li, through the Company had an aggregate outstanding loan amount of $996,433 owed to NIVS Group as of the date of the Set-off Agreement. After giving effect to the transactions contemplated by the Agreement, the Related Companies' Debt will no longer be outstanding and neither Mr. Li nor any of the Related Companies will owe to the NIVS Group any loan amount. Therefore Mr. Li assumed the obligation of the outstanding loan of $996,433 that was owed by the Company to NIVS after giving effect of the executed agreement above.

On December 26, 2008, Mr. Li signed a debt forgiveness agreement with the Company to waive the outstanding working capital loan amount of $996,433 resulting in an additional paid in capital of $996,433 from the debt forgiveness.

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NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Company recorded imputed interest with respect to these loans as a charge to operations, and as a credit to additional paid-in capital. The calculations are performed monthly at annual rates in the range of 5.22% ~ 6.57% with reference to the average short term loan rate announced by People's Bank of China. The imputed interest amounts are as follows:

	March 31,		December 31,		
	2010	2009	2009	2008	2007
Imputed interest	$ -	$ -	$ -	$ 73,264	$ 31,260

Other Related Party Transactions

Lease Agreements

In 2008, the Company signed another lease agreement with NIVS HZ. According to the lease agreement, the monthly rent will be for RMB 25,000 per month between July 1, 2008 and June 30, 2010.

The Company's rental expenses paid to its affiliated companies are as follows:

	March 31,		December 31,		
	2010	2009	2009	2008	2007
NIVS (HZ) Audio & Video Tech Co. Ltd. ("NIVS HZ")	$ 10,971	$ 10,963	$ 43,854	$ 25,947	$ 7,900

Sales of Raw Materials

For the three months ended March 31, 2010 and 2009, the Company had no transaction with NIVS Group.

For the year ended December 31, 2007, the Company sold raw materials to NIVS HZ for a gross profit of $53,914.

For the year ended December 31, 2008, the Company sold raw materials to NIVS HZ for a gross profit of $214,340.

For the year ended December 31, 2009, the Company had no transaction with NIVS Group.

The revenue and cost of goods sold generated from the related party sales are as follows:

	March 31,		December 31,		
	2010	2009	2009	2008	2007
Gross Sales	$ -	$ -	$ -	$ 898,411	$ 518,639
Cost of goods sold	-	-	-	684,071	464,725
Gross Profit	$ -	$ -	$ -	$ 214,340	$ 53,914

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NOTE 9 - SHORT TERM LOAN

On April 16, 2009, the Company obtained a one year term loan of RMB 8,000,000 (approximately $1,169,000) from Pudong Development Bank ("PDB") bearing interest at the prevailing prime rate (approximately 5.4%). Pursuant to the loan contract, the monthly payment is RMB 200,000 plus monthly interest and the balance will be repaid in April 2010.

The above loan was part of a package of loans PDB made to 6 different companies unrelated to the Company where each of the companies cross guarantee each other's loans. In the event of one company defaulting on its loan, the other companies are required to pay a penalty based on the percentage of the defaulted loan to PDB. Additionally, each company was required to deposit a specific percentage of the loan amount it received in an account held at PDB to be used as collateral for the loans. The Company deposited RMB 2,400,000 (approximately $352,000) in the bank account as restricted cash. The cross guarantee is limited to the restricted cash held at the bank. The Company, based upon its review of the loans, believes there is only a remote chance of any of the companies defaulting on these loans and has not set up a reserve for any loss for this transaction.

As of March 31, 2010, the Company had $850,924 loan payable to Pudong Development Bank. In April 2010, the Company paid off this loan and obtained a new loan from the same bank. This new loan is a one year term loan of RMB 10,000,000 (approximately $1,467,000) bearing interest at the prevailing prime rate (approximately 5.8%). Pursuant to the loan contract, the monthly payment is RMB 300,000 plus monthly interest and the balance will be repaid in April 2011. The Company's deposit remained in the bank as collateral for the loan as of March 31, 2010 and accounted as restricted cash.

NOTE 10 - INCOME TAX AND VARIOUS TAXES

China Intelligent is registered in BVI and pays no taxes.

Hyundai HK is a holding company registered in Hong Kong and has no operating profit for tax liabilities.

The Company's subsidiary – Hyundai HZ as a manufacturing enterprise established in Huizhou, PRC, was entitled to a preferential Enterprise Income Tax ("EIT") rate. Hyundai HZ had applied for foreign investment Enterprise title, and the application had been approved by the local government Hyundai HZ had a tax holiday of 2 years 100% exemption starting from the first profitable year, and followed by 3 years of 50% tax deduction. As of March 31, 2010, and December 31 2009 and 2008, the Company had tax payable of $232,625, $372,275 and $0, respectively. For the three months ended March 31, 2010 and 2009, and years ended 2009, 2008 and 2007, cash paid income taxes of $401,815, $0, $711,575, 0 and $0, respectively.

The tax authority of the PRC Government conducts periodic and ad hoc tax filing reviews on business enterprises operating in the PRC after those enterprises had completed their relevant tax filings, hence the Company's tax filings may not be finalized. It is therefore uncertain as to whether the PRC tax authority may take different views about the Company's tax filings which may lead to additional tax liabilities.

The provision for taxes on earnings consisted of:

	March 31,	December 31,

Current income taxes expenses:	2010	2009	2009	2008	2007
PRC Enterprises Income Taxes	$ 273,879	$ 203,595	$ 1,082,561	$ -	$ -

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NOTE 10 - INCOME TAX AND VARIOUS TAXES (CONTINUED)

A reconciliation between the income tax computed at the U.S. statutory rate and the Group's provision for income tax is as follows:

	March 31,		December 31,		
	2010	2009	2009	2008	2007
PRC preferential enterprise income tax	25%	25%	25%	25%	25%
Tax holiday and relief granted to the subsidiary	-12.5%	-12.5%	-12.5%	-25%	-25%
Permanent differences related to other expenses	11.4%	-0.3%	-0.2%	-	-
Provision for income tax	23.9%	12.2%	12.3%	-	-

Accounting for Uncertainty in Income Taxes

The Company accounts for uncertainty in income taxes in accordance with applicable accounting standards, which prescribe a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These accounting standards also provide guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on the Company's evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

The Company may from time to time be assessed interest or penalties by major tax jurisdictions. In the event it receives an assessment for interest and/or penalties, it will be classified in the financial statements as tax expense.

In January 2010, the Company entered into an Indemnification Agreement and Security Agreement with Li Xuemei, Chief Executive Officer and Chairman of the Board, pursuant to which Ms. Li agreed to indemnify and pay to the Company amounts that would make the Company whole for any tax liability, penalty, loss, or other amounts expended as a result of any removal of the reduced 4% simplified VAT rate, including any requirement to make up all of the underpaid taxes. The primary reason for entering into the agreement was due to the possibility that the grant of the reduced VAT tax rate to the Company by the Huicheng Taxation Bureau may be overturned by higher levels of the PRC government and the potential negative effects on the Company's results of operations and financial position if such event were to occur. The Company believed that investors may be reluctant to participate in the Private Placement that it conducted concurrently with the Share Exchange. Ms. Li believes that the revocation of the reduced VAT rate is remote, as does the Company's management. Ms. Li did not have a material relationship to the Company's receipt of approval for 4% simplified VAT from the local agent of Huicheng Taxation Bureau; however, she desired that the Private Placement and Share Exchange be completed and she volunteered to indemnify that Company against any losses if such revocation occurred. Pursuant to the terms of the Indemnification Agreement and Security Agreement, if Ms. Li is unable to or fails to pay all such amounts due to the Company under the agreement, the Company would have the right to obtain the proceeds from a forced sale of the real estate property secured under the Security Agreement; and if such sale proceeds were insufficient to cover amounts due to the Company, the Company would be able to cancel a number of shares of common stock in the Company held by Ms. Li in an amount equal any shortfall. Any such prospective change to the aforementioned tax approval would have a material adverse effect on the

Company’s liquidity and profitability to the extent that the Company is unable to collect such deficiency from the related customers and to the extent that the Company is not able to collect any shortfall from Ms. Li under the Indemnification Agreement and Security Agreement. See Note 10 for additional information on VAT matters.

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
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NOTE 11 - STATUTORY RESERVES

As stipulated by the relevant laws and regulations for enterprises operating in PRC, the subsidiaries of the Company are required to make annual appropriations to a statutory reserve fund. Specifically, the subsidiaries of the Company consist of Statutory surplus reserves and Discretionary surplus reserves. Statutory surplus reserves are required to allocate 10% of their profits after taxes, as determined in accordance with the PRC accounting standards applicable to the subsidiaries of the Company, to a statutory surplus reserve until such reserve reaches 50% of the registered capital of the subsidiaries of the Company are decided by the board of directors. For the three months ended March 31, 2010 and 2009, and the years ended December 31, 2009, 2008 and 2007, the Company reserved $0, $0, $870,612, $1,089,579 and $214,978, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Lack of Insurance

The Company does not carry any business interruption insurance, products liability insurance or any other insurance policy except for a limited property insurance policy. As a result, the Company may incur uninsured losses, increasing the possibility that the investors would lose their entire investment in the Company.

The Company could be exposed to liabilities or other claims for which the Company would have no insurance protection. The Company does not currently maintain any business interruption insurance, products liability insurance, or any other comprehensive insurance policy except for property insurance policies with limited coverage. As a result, the Company may incur uninsured liabilities and losses as a result of the conduct of its business. There can be no guarantee that the Company will be able to obtain additional insurance coverage in the future, and even if it can obtain additional coverage, the Company may not carry sufficient insurance coverage to satisfy potential claims. If an uninsured loss should occur, any purchasers of the Company’s common stock could lose their entire investment.

Because the Company does not carry products liability insurance, a failure of any of the products marketed by the Company may subject the Company to the risk of product liability claims and litigation arising from injuries allegedly caused by the improper functioning or design of its products. The Company cannot assure that it will have enough funds to defend or pay for liabilities arising out of a products liability claim. To the extent the Company incurs any product liability or other litigation losses, its expenses could materially increase substantially. There can be no assurance that the Company will have sufficient funds to pay for such expenses, which could end its operations and the investors would lose their entire investment.

Lease Agreements

The Company has entered into several tenancy agreements for the lease of factory premises and staff quarters. The corporate office and the main factory located in Huizhou, Guangdong are leased from a related party. Related party rent expense were $10,971, $10,963, $43,854, $25,947, and $7,900 for the three months ended March 31, 2010 and 2009 and for the years ended December 31, 2009, 2008 and 2007, respectively.

The Company’s remaining commitments for minimum lease payments under these non-cancelable operating leases are as follows:

Year Ending December 31,		
2010	$	11,603
Thereafter		-
	$	11,603

Total rent expense were $14,763, $18,583, $54,589, $42,185, and $23,602 for the three months ended March 31, 2010 and 2009, and for the years ended December 31, 2009, 2008 and 2007, respectively.

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NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Placement Agreement

On August 6, 2008, the Company signed an engagement letter with Westpark Capital, Inc. (“WCI”), an investment banker located in California, USA, in which WCI will (i) provide financial advisory and other professional services to the Company throughout the Westpark Reverse Alternative Senior Exchange Process (“WRASP”), (ii) act as the investment banker for the Company regarding a RTO transaction of a shell company, and (iii) act as the Company’s exclusive placement agent in a private offering of its security (up to $25,000,000) on a best-effort basis. In return, WCI will be entitled to the following compensations and rewards: (i) for RTO transaction: a cash financial advisory fee of $140,000 and five-year warrants to purchase 2% of the outstanding shares of surviving company immediately after the RTO and private placement transactions are closed, (ii) for private placement transaction: a fee of 8% of the financing to be obtained through private placement for an amount up to $25,000,000 and five-year warrants to purchase 9% of the securities subject to the private placement transaction with the same terms as the private placement investors, (iii) cash fee of $80,000 for due diligence immediately after the RTO and private placement transactions are closed, and (iv) consulting services: after the closing of the private placement transaction, a monthly consulting fee of $6,000 for six months. The Share Exchange and Private Placement closed on January 15, 2010. See Note 1, above, for additional information.

Fines and penalties by housing authority

According to the relevant PRC regulations on housing provident funds, PRC enterprises are required to contribute housing provident funds for their employees. The monthly contributions for Huizhou City must be at least 5% of each employee’s average monthly income in the previous year. The Company has not paid such funds for its employees since its establishment and the accumulated unpaid amount is approximately $244,430. The Company accrued the entire balance as of December 31, 2009 on its books. Under local regulations on collection of housing provident funds in Huizhou City where the Company’s subsidiary, Hyundai HZ, is located, the local housing authority may require the Company to rectify its non-compliance by setting up bank accounts and making payment and relevant filings for the unpaid housing funds for its employees within a specified time period. If the Company fails to do so within the specified time period, the local housing authority may impose a monetary fine on it and may also apply to the local people’s court for enforcement. The Company’s employees may also be entitled to claim payment of such funds individually.

If the Company receives any notice from the local housing authority or any claim from its current and former employees regarding the Company’s non-compliance with the regulations, the Company will be required respond to the notice and pay all amounts due to the government, including any administrative penalties imposed, which would require the Company to divert its financial resources and/or impact its cash reserves, if any, to make such payments. Additionally, any administrative costs in excess of the payments, if material, may impact the Company’s operating results. As of March 31, 2010, the Company has not received any notice from the local housing authority or any claim from its current and former employees.

Trademark License Agreement

On September 10, 2008, the Company entered into a Trademark License Agreement (the “Agreement”) with Hyundai Corporation pursuant to which Hyundai Corporation granted the Company a license to use the trademark of

“HYUNDAI” in connection with manufacturing, selling, and marketing wiring accessories and lighting products (the “Licensed Products”) within the People’s Republic of China. The Agreement contains two terms, with one term from August 1, 2008 to July 31, 2009 and the other term from August 1, 2009 to July 31, 2010. Any additional term or renewal of the Trademark Agreement is contingent upon further written agreement of the parties.

Pursuant to the Trademark Agreement, during each term, the Company is required to pay Hyundai Corporation minimum royalty, and the Company is not permitted to sell or distribute any product similar to or in competition with the Licensed Products. The Agreement also sets forth minimum sales amounts for the Licensed Products for each term, in addition to providing for a percentage royalty rate such that, if the aggregate sales during a term exceeds the minimum sales amount, the Company will pay the royalty to Hyundai Corporation equal to the amount of aggregate sales in excess of the minimum sales amount, multiplied by the royalty rate. The Agreement also requires the Company to provide Hyundai Corporation with sales and marketing reports for the Licensed Products for certain periods and contains other customary general provisions, including provisions related to a prohibition of assignment or sub-licensing, confidentiality, indemnification, and the scope of our use of Hyundai Corporation’s trademark. Under the Agreement, Hyundai Corporation may terminate the Agreement for, among other reasons, failure to pay the royalties or failure to rectify any injury to the brand image of Hyundai Corporation’s trademark within 30 days of receipt of written notification of such injury.

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NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company's remaining commitments for minimum royalty payments under the Agreement as of March 31, 2010 are as follows:

Year Ending December 31,		
2010	$	28,571
Thereafter		-
	$	28,571

NOTE 13 - OPERATING RISK

Country risk

The Company has significant investments in the PRC. The operating results of the Company may be adversely affected by changes in the political and social conditions in the PRC and by changes in Chinese government policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things. The Company can give no assurance that those changes in political and other conditions will not result in have a material adverse effect upon the Company's business and financial condition.

Exchange risk

The Company cannot guarantee the Renminbi, US dollar exchange rate will remain steady, therefore, the Company could post the same profit for two comparable periods and post higher or lower profit depending on exchange rate of Renminbi and US dollars. The exchange rate could fluctuate depending on changes in the political and economic environments without notice.

Credit risk

A significant portion of the Company's cash at March 31, 2010 December 31, 2009 and 2008 is maintained at various financial institutions in the PRC which do not provide insurance for amounts on deposit. The Company has not experienced any losses in such accounts and believes it is not exposed to significant credit risk in this area.

Political risk

Currently, PRC is in a period of growth and is openly promoting business development in order to bring more business into PRC. Additionally PRC currently allows a Chinese corporation to be owned by a United States corporation. If the laws or regulations relating to ownership of a Chinese corporation are changed by the PRC government, the Company's ability to operate the PRC subsidiaries could be affected.

NOTE 14 - MAJOR CUSTOMERS

For the three months ended March 31, 2010 and 2009, no customer had net sales exceeding 10% of the Company's total net sales for the quarters.

For the year ended December 31, 2009, no customer had net sales exceeding 10% of the Company's total net sales for the year. For year ended December 31, 2008, one customers had net sales exceeding 10% of the Company's total net sales for the year. For year ended December 31, 2007, one customer had revenue exceeding 10% of the Company's total revenue of the year.

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NOTE 15 - REVENUE AND GEOGRAPHIC INFORMATION

The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments.

The management has determined that the Company has only one operating segment. The Company has not segregated business units for managing different products and services that the Company has been carrying and selling on the market. The assets and resources of the Company have been utilized, on a corporate basis, for overall operations of the Company. The Company has not segregated its operating assets by segments as it is impracticable to do so since the same assets are used to produce products as one segment.

The geographic information for revenue is as follows:

	Three months ended March 31,		Years ended December 31,		
	2010	2009	2009	2008	2007
China and Hong Kong	$ 13,416,440	$ 9,430,503	$ 52,199,467	$ 35,433,628	$ 16,402,097
Other Asian countries	1,157,628	1,592,214	4,841,985	2,492,082	-
North America	-	417,144	833,471	945,199	75,011
Australia	93,732	28,285	28,192	571,321	-
Europe	-	519,291	933,739	2,340,629	49,505
Others	189,393	-	424,443	1,161,075	25,305
Total	$ 14,857,193	$ 11,987,437	$ 59,261,297	$ 42,943,934	$ 16,551,918

NOTE 16 - COMMON STOCK WARRANTS

Since the inception of China Intelligent US, the shareholders of SRKP 22 held an aggregate of 3,548,196 warrants. Immediately prior to the closing of the share exchange on January 15, 2010, the shareholders agreed and canceled an aggregate of 2,757,838 warrants. Immediately after the Share Exchange and the cancellation, the shareholders held an aggregate of 790,358 warrants.

The warrants have an exercise price of $0.0002 per share and are currently exercisable. According to the terms of the warrants, the warrants expire on the earlier of October 11, 2017 or five years from the date that SRKP 22 consummates a merger or other business combination with an operating business or any other event pursuant to which SRKP 22 ceases to be a "shell company," as defined by Rule 12b-2 under the Securities Exchange Act of 1934 and a "blank check company," as defined by Rule 419 of the Securities Act of 1933. As a result of the close of the Share Exchange on January 15, 2010, the warrants will expire on January 15, 2015. The Company agreed to register the 790,358 shares of common stock underlying the warrants in a registration statement that the Company agreed to file on or about August 26, 2010.

A summary of the Company's warrant activities for the three months ended March 31, 2010 is as follows:

	Warrants	Average

			Exercise Price
Balance December 31, 2009	3,548,196	$	0.0002
Forfeited/canceled	(2,757,838)	$	0.0002
Balance March 31, 2010	790,358	$	0.0002

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NOTE 17 - RECONCILIATION OF EARNINGS PER SHARE

	Three months ended March 31, 2010	Three months ended March 31, 2009	Years ended December 31, 2009	Years ended December 31, 2008	Years ended December 31, 2007
Net income	$ 871,432	$ 1,459,428	$ 7,579,820	$ 5,767,806	$ 2,208,736
Denominator:					
Weighted-average shares outstanding for basic and diluted earnings per share	9,458,778	7,097,748	7,097,748	7,097,748	7,097,748
Effect of dilutive securities:					
Common stock warrants	667,413				
Weighted-average shares outstanding for diluted earnings per share	10,126,191	7,097,748	7,097,748	7,097,748	7,097,748
Net income per share:					
Basic	$ 0.09	$ 0.21	$ 1.07	$ 0.81	$ 0.31
Diluted	$ 0.09	$ 0.21	$ 1.07	$ 0.81	$ 0.31

NOTE 18 - QUARTERLY INFORMATION (UNAUDITED)

The table below presents selected (unaudited) results of operations for the quarters indicated. All amounts are in thousands, except per share amounts.

	Quarter Ended December 31, 2009	Quarter Ended September 30, 2009	Quarter Ended June 30, 2009	Quarter Ended March 31, 2009	Total
Revenues	$ 18,652	$ 14,835	$ 13,787	$ 11,987	$ 59,261
Gross profit	$ 4,472	$ 3,384	$ 3,179	$ 2,538	$ 13,573
Net Income	$ 2,611	$ 1,956	$ 1,560	$ 1,453	$ 7,580
Earnings per share – Basic and Diluted	$ 0.37	$ 0.28	$ 0.22	$ 0.20	$ 1.07
Weighted-average shares outstanding – Basic and Diluted	7,097,748	7,097,748	7,097,748	7,097,748	7,097,748

	Quarter Ended December 31, 2008	Quarter Ended September 30, 2008	Quarter Ended June 30, 2008	Quarter Ended March 31, 2008	Total
Revenues	$ 8,294	$ 15,305	$ 9,657	$ 9,688	$ 42,944
Gross profit	$ 1,821	$ 3,884	$ 1,853	$ 2,432	$ 9,990
Net Income	$ 489	$ 3,071	$ 652	$ 1,556	$ 5,768
Earnings per share – Basic and Diluted	$ 0.07	$ 0.43	$ 0.09	$ 0.22	$ 0.81
Weighted-average shares outstanding – Basic and Diluted	7,097,748	7,097,748	7,097,748	7,097,748	7,097,748

	Quarter Ended				
	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007	Total
Revenues	$ 5,168	$ 4,194	$ 4,284	$ 2,906	$ 16,552
Gross profit	$ 1,232	$ 1,027	$ 1,085	$ 761	$ 4,105
Net Income	$ 759	$ 445	$ 638	$ 367	$ 2,209
Earnings per share – Basic and Diluted	$ 0.11	$ 0.06	$ 0.09	$ 0.05	$ 0.31
Weighted-average shares outstanding – Basic and Diluted	7,097,748	7,097,748	7,097,748	7,097,748	7,097,748

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NOTE 19 – SUBSEQUENT EVENTS

On May 5, 2010, the Company entered into an employment agreement with Mr. Jiang regarding his employment by the Company as its new Chief Financial Officer (the “Employment Agreement”). Pursuant to the Employment Agreement, Mr. Jiang will be entitled to, among other things, a grant of options to purchase 25,000 shares of the common stock of the Company at an exercise price equal to the offering price of the shares sold in the public offering (the “Jiang Options”) upon the pricing date of the public offering (the “Effective Date”). The Jiang Options will vest in equal installments every three months over a period of 12 months. The Jiang Options will expire five years from the date of grant, provided, however, that Mr. Jiang remains continuously employed by the Company during the applicable five-year period. If Mr. Jiang is terminated without Cause (as defined in the Employment Agreement) or Mr. Jiang terminates his employment for Good Reason (as defined in the Employment Agreement), then all of the Jiang Options that are not vested will immediately vest on the date of termination. All options that are vested at the time of termination of employment must be exercised within 30 days of termination, provided, however, that the Jiang Options may be immediately cancelled by the Company if Mr. Jiang’s employment is terminated for Cause.

On May 12, 2010, the Company effected its 1-for-2 Reverse Stock Split by filing a Certificate of Amendment with the State of Delaware. References to shares in the consolidated financial statements and the accompanying notes, including, but not limited to, the number of shares and per share amounts, have been adjusted to reflect the Reverse Stock Split on a retroactive basis.

NOTE 20 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION

Basis of Presentation

The condensed parent company financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X, as the restricted net assets of the subsidiaries of China Intelligent Lighting and Electronics, Inc. exceed 25% of the consolidated net assets of China Intelligent Lighting and Electronics, Inc. The ability of the Company’s Chinese operating subsidiaries to pay dividends may be restricted due to the foreign exchange control policies and availability of cash balances of the Chinese operating subsidiaries. Because substantially all of the Company’s operations are conducted in China and a substantial majority of its revenues are generated in China, a majority of the Company’s revenue being earned and currency received are denominated in Renminbi (RMB). RMB is subject to the exchange control regulation in China, and, as a result, the Company may be unable to distribute any dividends outside of China due to PRC exchange control regulations that restrict its ability to convert RMB into US Dollars.

The condensed parent company financial statements have been prepared using the same accounting principles and policies described in the notes to the consolidated financial statements, with the only exception being that the parent company accounts for its subsidiaries using the equity method. Refer to the consolidated financial statements and notes presented above for additional information and disclosures with respect to these financial statements.

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NOTE 20 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

China Intelligent Lighting and Electronics, Inc.
Condensed Parent Company Balance Sheets
(US Dollars in Thousands)

	March 31, 2010 (Unaudited)	December 31, 2009	December 31, 2008
ASSETS			
Cash			
Investment in subsidiaries, at equity in net assets	$ 21,734	$ 17,894	$ 10,264
Total Assets	$ 21,734	$ 17,894	$ 10,264
LIABILITIES AND STOCKHOLDERS' EQUITY			
TOTAL LIABILITIES	$ -	$ -	$ -
STOCKHOLDERS' EQUITY			
Preferred stock, $0.0001 par value, 10,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2010 and December 31, 2009 and 2008	-	-	-
Common stock, $0.0001 par value, 100,000,000 shares authorized, 9,893,704 shares issued and outstanding at March 31, 2010 and 7,097,748 shares issued and outstanding at December 31, 2009 and 2008	1	1	1
Additional paid-in capital	4,390	1,388	1,388
Accumulated other comprehensive income	682	716	666
Statutory reserve fund	2,202	2,202	1,331
Retained earnings (unrestricted)	14,459	13,587	6,878
Total Stockholders' Equity	21,734	17,894	10,264
Total Liabilities and Stockholders' Equity	$ 21,734	$ 17,894	$ 10,264

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
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NOTE 20 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

China Intelligent Lighting and Electronics, Inc.
Condensed Parent Company Statements of Income
(US Dollars in Thousands)

	For the three months ended March 31, 2010 (Unaudited)	For the three months ended March 31, 2009 (Unaudited)	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the period from October 11, 2007 (Inception) to December 31, 2007
Other general and administrative	981	-			
Total Expenses	981	-	-	-	-
Equity in undistributed income of subsidiaries	$ 1,852	$ 1,459	$ 7,580	$ 5,768	$ 2,209
Income before income taxes	871	1,459	7,580	5,768	2,209
Provision for income tax	-	-	-	-	-
Net income	$ 871	$ 1,459	$ 7,580	$ 5,768	$ 2,209

China Intelligent Lighting and Electronics, Inc. and Subsidiaries
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NOTE 20 - CONDENSED PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

China Intelligent Lighting and Electronics, Inc.
Condensed Parent Company Statements of Cash Flows
(US Dollars in Thousands)

	For the Three Months ended		For the Year Ended	For the Year Ended	For the period from October 11, 2007 (Inception) to
	March 31, 2010 (Unaudited)	March 31, 2009 (Unaudited)	December 31, 2009	December 31, 2008	December 31, 2007
Cash Flows from Operating Activities					
Net income	$ 871	$ 1,459	$ 7,580	$ 5,768	$ 2,209
Adjustments to reconcile net income to net cash provided (used) by operating activities:					
Equity in undistributed income of subsidiaries	(1,852)	(1,459)	(7,580)	(5,768)	(2,209)
Net Cash Provided (Used) by Operating Activities	(981)	-	-	-	-
Cash Flows from Investing Activities					
Capital contribution to subsidiaries	(2,020)	-	-	-	
Net Cash Provided (Used) by Investing Activities	(2,020)	-	-	-	-
Cash Flows from Financing Activities					
Net proceeds of share issuance	3,001	-	-		-
Net Cash Provided (Used) by Investing Activities	3,001	-	-	-	-
Net Increase in Cash and Cash Equivalents	-	-	-	-	-
Cash and Cash Equivalents, beginning of period	-	-	-	-	-

Cash and Cash Equivalents, end of period	$	-	$	-	$	-	$	-	$	-

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3,350,000 Shares of Common Stock

China Intelligent Lighting and Electronics, Inc.

PROSPECTUS

Rodman & Renshaw, LLC WestPark Capital, Inc.

__________, 2010

[RESALE PROSPECTUS ALTERNATE PAGE]

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission becomes effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION JUNE 16, 2010

1,377,955 Shares

China Intelligent Lighting and Electronics, Inc.

Common Stock

This prospectus relates to the resale by the selling stockholders of up to 1,377,955 shares of our common stock. The selling stockholders may sell common stock from time to time in the principal market on which the stock is traded at the prevailing market price or in negotiated transactions. We will not receive any proceeds from the sales by the selling stockholders. The selling stockholders named herein may be deemed underwriters of the shares of common stock which they are offering.

Our shares of common stock are not currently listed or quoted for trading on any national securities exchange or national quotation system. NYSE Amex has approved the listing of our common stock under the ticker symbol “CIL”, subject to official notice of issuance.

Since there is currently no public market established for our securities, the selling security holders will sell at a fixed price that is equal to the price at which we sell shares in our public offering pursuant to the registration statement of which this prospectus is a part. Once, and if, our shares of common stock are quoted on the NYSE Amex and there is an established market for these resale shares, the selling stockholders may sell the resale shares from time to time at the market price prevailing on the NYSE Amex at the time of offer and sale, or at prices related to such prevailing market prices or in negotiated transactions or a combination of such methods of sale directly or through brokers.

The Selling Stockholders have agreed not to sell any of these shares until [_______], 2010, which is six months after closing of the public offering that we conducted on [_______], 2010. WestPark Capital, Inc., the placement agent in the private placement in which the Selling Stockholders acquired their shares and an underwriter to the public offering, in its discretion, may also release some or all the shares from the lock-up restrictions earlier.

The purchase of the securities involves a high degree of risk. See section entitled “Risk Factors” beginning on page 7.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of anyone’s investment in these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Date of This Prospectus Is: ___________________, 2010

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Please read this prospectus carefully. It describes our business, our financial condition and results of operations. We have prepared this prospectus so that you will have the information necessary to make an informed investment decision.

You should rely only on information contained in this prospectus. We have not authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

[RESALE PROSPECTUS ALTERNATE PAGE]

The Offering

Common stock offered by selling stockholders	1,377,955 shares
Common stock outstanding	9,893,704 shares(1)
Use of proceeds	We will not receive any proceeds from the sale of the common stock by the selling stockholders.

(1) Based on 9,893,704 shares of common stock issued and outstanding as of the date of this prospectus, and excludes (i) 3,350,000 shares of common stock being registered for issuance in a public offering, (ii) the underwriters' warrants to purchase up to 167,500 shares of common stock, and (iii) 440,358 shares of common stock underlying warrants that are exercisable at $0.0002 (after taking into account the cancellation of warrants to purchase 350,000 shares at the closing of our public offering).

The Selling Stockholders have agreed not to sell any of these shares until [_______], 2010, which is six months after closing of the public offering that we conducted on [_______], 2010. WestPark Capital, Inc., the placement agent in the private placement in which the Selling Stockholders acquired their shares and an underwriter to the public offering, in its discretion, may also release some or all the shares from the lock-up restrictions earlier.

[RESALE PROSPECTUS ALTERNATE PAGE]

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares of common stock by the selling stockholders.

[RESALE PROSPECTUS ALTERNATE PAGE]

SELLING STOCKHOLDERS

The following table provides as of the date of this prospectus information regarding the beneficial ownership of our common stock held by each of the selling stockholders, including:

- the number of shares owned by each stockholder prior to this offering;
- the percentage owned by each stockholder prior to completion of the offering;
- the total number of shares that are to be offered for each stockholder;
- the total number of shares that will be owned by each stockholder upon completion of the offering; and
- the percentage owned by each stockholder upon completion of the offering.

On January 15, 2010, we received gross proceeds of approximately $3.5 million in the closing of a private placement transaction (the “Private Placement”). Pursuant to subscription agreements entered into with the investors, we sold an aggregate of 1,377,955 shares of Common Stock at $2.54 per share. We paid WestPark Capital a placement agent commission equal to 8% of the gross proceeds from the financing and a 4% non-accountable expense allowance. We also agreed to retain WestPark Capital for a period of six months following the closing of the Private Placement to provide us with financial consulting services for which we will pay WestPark Capital $6,000 per month.

We agreed to file a registration statement covering the common stock sold in the Private Placement within 30 days of the final closing of the Private Placement pursuant to the subscription agreement entered into with each investor. The investors in the Private Placement also entered into a lock-up agreement pursuant to which they agreed that (i) if the proposed public offering that we expect to conduct is for $10 million or more, then the investors would not be able to sell or transfer their shares until at least six months after the public offering’s completion, and (ii) if the offering is for less than $10 million, then one-tenth of the investors’ shares would be released from the lock-up restrictions ninety days after the offering and there would be a pro rata release of the shares thereafter every 30 days over the following nine months. WestPark Capital, Inc., in its discretion, may also release some or all the shares from the lock-up restrictions earlier. Assuming our sale of 3,350,000 shares of common stock at an assumed public offering price of $3.00 per share of common stock, the public offering will be equal to approximately $10.1 million. Accordingly, the investors would be subject to lock-up restrictions such that they would be able to sell and/or transfer all of their shares six months after the public offering’s completion, subject to early release by WestPark.

Except as described below, none of the selling stockholders, to our knowledge, has had a material relationship with our company other than as a shareholder at any time within the past three years.

Name of Selling Shareholder	Number of Shares of Common Stock Beneficially Owned Prior to Offering	Percentage of Shares of Common Stock Beneficially Owned Prior to the Offering(1)	Number of Shares of Common Stock Registered for Sale Hereby	Number of Shares of Common stock Beneficially Owned After Completion of the Offering(2)	Percentage of Shares of Common Stock Beneficially Owned After Completion of the

						Offering(2)
MidSouth Investor Fund LP	137,795	(3)	1.4%	137,795	--	--
Micro PIPE Fund I, LLC	75,000	(4)	*	75,000	--	--
Berg, Howard	69,685		*	69,685	--	--
J&N Invest LLC	68,268	(5)	*	68,268	--	--
Kuber, Douglas	50,000		*	50,000	--	--
Stellar Capital Fund LLC	50,000	(6)	*	50,000	--	--
Continuum Capital Partners, LP	42,705	(7)	*	42,705	--	--
F. Berdon Defined Benefit Plan	41,732	(8)	*	41,732	--	--
Delaware Charter , Tax Id #51-0099493, FBO David H Clarke R/O IRA #2056-8346, C/O Legent Clearing, 9300 Underwood Sutie 400, Omaha, NE 68114	40,354	(9)	*	40,354	--	--
Schwartzberg, Gil N.	243,704	(10)	2.5%	39,370	204,334	2.0%
Colman, Frederic	35,236		*	35,236	--	--
Daybreak Special Situations Mater Fund, Ltd.	30,000	(11)	*	30,000	--	--
S. Gerlach & L. Gerlach, TTEE FBO Stanley Wayne Gerlach, Jr. & Linda Bozarth Gerlach	29,528	(12)	*	29,528	--	--

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Name of Selling Shareholder	Number of Shares of Common Stock Beneficially Owned Prior to Offering		Percentage of Shares of Common Stock Beneficially Owned Prior to the Offering(1)	Number of Shares of Common Stock Registered for Sale Hereby	Number of Shares of Common stock Beneficially Owned After Completion of the Offering(2)	Percentage of Shares of Common Stock Beneficially Owned After Completion of the Offering(2)
Clarke, David H.	29,291		*	29,291	--	--
Rothstein, Norman	25,000		*	25,000	--	--
Metsch, Richard	23,622		*	23,622	--	--
Merkel, Charles M.	22,441		*	22,441	--	--
Rathwell, John Herbert William	20,000		*	20,000	--	--
Donald, Linda Lou	19,685		*	19,685	--	--
Jordon, David L.	19,685		*	19,685	--	--
Sperling, Gerald and Seena	19,685		*	19,685	--	--
Tangiers Investors LP	19,685	(13)	*	19,685	--	--
Pearson, Eric J.	15,748		*	15,748	--	--
Tedesco, Joseph and Gino	15,700		*	15,700	--	--
Pawliger, Richard	15,000		*	15,000	--	--
Antin, Norman B.	12,500		*	12,500	--	--
Boyer, David L.	11,811		*	11,811	--	--
Blisko, Solomon	11,795		*	11,795	--	--
Hoefer, Richard and Donna	11,024		*	11,024	--	--
BDB Irrevocable Family Trust D/T/D 7/20/07 Duane H. Butcher TTEE	10,236	(14)	*	10,236	--	--
Antunes, Louis Philippe	10,000		*	10,000	--	--
Kendall, Peter M.	10,000		*	10,000	--	--
Mickelson Living Trust	10,000	(15)	*	10,000	--	--
Nielsen, Mark	10,000		*	10,000	--	--
Rothstein, Steven	10,000		*	10,000	--	--
Silverberg, Lawrence	10,000		*	10,000	--	--
Dunkin, Arthur	9,843		*	9,843	--	--
Gordon, Morton	9,843		*	9,843	--	--
Lefkowitz, Harold	9,843		*	9,843	--	--
Woolam, Gerald L.	9,843		*	9,843	--	--
Frederic Colman C/F Daniela Colman	8,858	(16)	*	8,858	--	--
Frederick and Karen Stahl TTEE	7,874	(17)	*	7,874	--	--
McCartney, Timothy	7,874		*	7,874	--	--
Ulrich, Max	7,874		*	7,874	--	--
Miriam S. Mooney Trust F/B/O David Forrer	7,717	(18)	*	7,717	--	--
Miriam S. Mooney Trust F/B/O Joan Connolly	7,677	(19)	*	7,677	--	--

Darwin, Charles Barnes II	7,500		*	7,500	--	--
Reiff, Jerry N.	7,500		*	7,500	--	--
Forrer, John O.	7,008		*	7,008	--	--
Chazanovitz, David A.	7,000		*	7,000	--	--
Grossman, Martin	6,294		*	6,294	--	--
Seidenfeld, Steven	6,000		*	6,000	--	--
Miriam S. Mooney Trust F/B/O Catherine Sotto	5,984	(20)	*	5,984	--	--
Glantz, Michael	5,906		*	5,906	--	--
Katz, David C.	5,906		*	5,906	--	--
Lurie, William and Rita	5,906		*	5,906	--	--
Perry, Frank	5,906		*	5,906	--	--
Zeev Tafel and Yehouda Chehebar	5,750		*	5,750	--	--
Newton, David K.	5,525		*	5,525	--	--
Borell, Martin H.	5,000		*	5,000	--	--
Jerkins, Ken M.	5,000		*	5,000	--	--
Kiening, James S.	5,000		*	5,000	--	--
Magalnick, Daniel	5,000		*	5,000	--	--
Mauser, Joseph T.	5,000		*	5,000	--	--
Paul, Melvyn	5,000		*	5,000	--	--
Steenhoek, Loren	5,000		*	5,000	--	--
Teitelbaum, Jay	5,000		*	5,000	--	--
Whittle, Brian A.	5,000		*	5,000	--	--

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Name of Selling Shareholder	Number of Shares of Common Stock Beneficially Owned Prior to Offering		Percentage of Shares of Common Stock Beneficially Owned Prior to the Offering(1)	Number of Shares of Common Stock Registered for Sale Hereby	Number of Shares of Common stock Beneficially Owned After Completion of the Offering(2)	Percentage of Shares of Common Stock Beneficially Owned After Completion of the Offering(2)
Frederic Colman C/F Samuel Colman	4,921	(21)	*	4,921	--	--
Weissler, Alan	4,500		*	4,500	--	--
Blair, Chris & Julie	4,000		*	4,000	--	--
Jelcada, LP	3,937	(22)	*	3,937	--	--
Mitchell J. Lipcon Profit Sharing Keough Plan	3,937	(23)	*	3,937	--	--
Vanhook, Benjamin	3,750		*	3,750	--	--
Tyson, Darryl J.	3,346		*	3,346	--	--
Cooke, Carl G.	3,189		*	3,189	--	--
Scher, Leslie	3,170		*	3,170	--	--
Izes, Bernard and Selma	2,953		*	2,953	--	--
Yablonsky, Mitchell	2,953		*	2,953	--	--
Dolen, William J. Jr. and Louise M.	2,500		*	2,500	--	--
Feltri, Donald and Jean	2,500		*	2,500	--	--
Getz, Norman	2,500		*	2,500	--	--
Goldstein, Gary	2,500		*	2,500	--	--
Helsley, Charles	2,500		*	2,500	--	--
Huber, Raymond & Joan	2,500		*	2,500	--	--
Krauser, Jack T.	2,500		*	2,500	--	--
Matt, Jamie Michael	2,500		*	2,500	--	--
Palmatier, Steven Jon	2,500		*	2,500	--	--
Quave, Gerald J. Jr.	2,500		*	2,500	--	--
Simon, Steve	2,500		*	2,500	--	--
Stancil, Donald R.	2,500		*	2,500	--	--
Stange, David W.	2,500		*	2,500	--	--
Tafel, Zeev	2,500		*	2,500	--	--
Taylor, Richard Charles	2,500		*	2,500	--	--
Eric Pearson IRA	2,362	(24)	*	2,362	--	--
Hall, Warren James	2,275		*	2,275	--	--
Berry, Allan and Susan	2,100		*	2,100	--	--
Delaware Charter, Tax id #51-0099493, FBO James A DeCotis IRA #3059-4716, C/O Legent Clearing, 9300 Underwood, Suite 400, Omaha, nE 68114	2,000	(25)	*	2,000	--	--
Sasson Joury IRA	1,550		*	1,550	--	--
Cohen, Robert and Debbie	1,500		*	1,500	--	--
	1,000	(26)	*	1,000	--	--

Delaware Charter, Tax id #51-0099493,
FBO Lynita C DeCotis IRA
#7537-9018, C/O Legent Clearing,
9300 Underwood, Suite 400, Omaha,
NE 68114

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* Less than 1%

(1) Based on 9,893,704 shares of common stock outstanding as of the date of this prospectus. The number of shares of our common stock outstanding excludes (i) up to 3,350,000 shares of our common stock to be offered by us in a firm commitment public offering concurrently herewith and (ii) 440,358 shares of common stock underlying warrants that are exercisable at $0.0002 (after taking into account the cancellation of warrants to purchase 350,000 shares at the closing of this offering). Excludes the 195,048 shares of our common stock that we may issue upon the Underwriters' over-allotment option exercise in a public offering and is not affected by the 307,452 shares that the Underwriters may be purchased from selling stockholders in such public offering.

(2) Represents the amount of shares that will be held by the selling stockholders after completion of this offering based on the assumption that all shares registered for sale hereby will be sold. However, the selling stockholders may offer all, some or none of the shares pursuant to this prospectus, and to our knowledge there are currently no agreements, arrangements or understandings with respect to the sale of any of the shares that may be held by the selling stockholders after completion of this offering.

(3) Lyman O. Heidtke, as general partner has voting and investment control over the shares owned by this entity.

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(4) David F. Mickelson, as managing member, has voting and investment control over the shares owned by this entity.

(5) Jeffrey Rubin, as manager, has voting and investment control over the shares owned by this entity.

(6) Richard Schmidt, as managing member of the general partner, has voting and investment control over the shares owned by this entity.

(7) Gil N. Schwartzberg, as manager of the general partner, has voting and investment control over the shares owned by this entity. Mr. Schwartzberg is the spouse of Debbie Schwartzberg. Excludes shareholdings discussed under footnote (10), below.

(8) Frederick Berdon, has voting and investment control over the shares owned by this entity.

(9) David H. Clarke has voting and investment control over the shares owned by this entity.

(10) Includes 129,362 shares of common stock and 40,916 shares of common stock issuable upon the exercise of outstanding warrants, each held by Debbie Schwartzberg, who is the spouse of the selling stockholder. Also includes 12,936 shares of common stock and 4,092 shares of common stock issuable upon the exercise of outstanding warrants held in such amounts by each of the Julie Schwartzberg Trust dated 2/9/2009 and the David N. Sterling Trust dated 2/3/2000. The selling stockholder is a co-trustee of the foregoing trusts. As a result, the selling stockholder may be deemed the indirect beneficial owner of these securities and disclaims beneficial ownership of the securities except to of his pecuniary interest in the securities. Excludes the shares held by Continuum Capital Partners, LP listed in the table above and footnote (7) above.

(11) Larry Butz as managing partner of the general partner has voting and investment control over the shares owned by this entity.

(12) Stanley Wayne Gerlach, Jr. and Linda B. Gerlach, as trustees, president and secretary, have voting and investment control over the shares owned by this entity.

(13) Justin Ederle, as managing member of the general partner, has voting and investment control over the shares owned by this entity.

(14) Duane H. Butcher, as Trustee has voting and investment control over the shares owned by this entity.

(15) David F. Mickelson as Trustee has voting and investment control over the shares owned by this entity.

(16) Frederic Colman as Custodian has voting and investment control over the shares owned by this entity.

(17) Frederic Colman as Custodian has voting and investment control over the shares owned by this entity.

(18) John O. Forrer, as trustee, has voting and investment control over the shares owned by this entity.

(19) John O. Forrer, as trustee, has voting and investment control over the shares owned by this entity.

(20) John O. Forrer, as trustee, has voting and investment control over the shares owned by this entity.

(21) Frederic Colman as Custodian has voting and investment control over the shares owned by this entity.

(22) John O Forrer as general partner has voting and investment control over the shares owned by this entity.

(23) Mitchell J. Lipcon, as Trustee, has voting and investment control over the shares owned by this entity.

(24) Eric J. Pearson has voting and investment control over the shares owned by this entity.

(25) James Anthony DeCotis has voting and investment control over the shares owned by this entity.

(26) Lynita Carla DeCotis is has voting and investment control over the shares owned by this entity.

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PLAN OF DISTRIBUTION

The selling stockholders of our common stock and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the date of this prospectus;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise; or
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. Each selling stockholder does not expect these commissions and discounts relating to its sales of shares to exceed what is customary in the types of transactions involved. The maximum commission or discount to be received by any FINRA member or independent broker-dealer, however, will not be greater than eight (8) percent for the sale of any securities being registered hereunder pursuant to Rule 415 of the Securities Act.

Rodman & Renshaw, LLC ("Rodman") and WestPark Capital, Inc. ("WestPark", and together with Rodman, the "Underwriters") are underwriters of up to 3,350,000 shares of our common stock (excluding an Underwriters' option to purchase an additional 502,500 shares from us and the selling stockholders to cover over-allotments) to be offered by us in a firm commitment public offering concurrently herewith, may dispose of shares on behalf of its account holders who are also selling stockholders. The maximum commission or discount to be received by Underwriters will not be greater than eight percent (8%) for the sale of any securities being registered hereunder. Additionally, any securities acquired by any participating FINRA members during the 180-day period preceding the date of the filing of the prospectus with the Commission will be subject to lock-up restrictions under FINRA Rule 5110(g), unless an exemption is available under FINRA Rule 5110(g)(2). FINRA Rule 5110(g) provides that such securities shall not be sold during our public offering or sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of effectiveness of sales of our public offering.

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In connection with the sale of our common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling stockholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling stockholder has informed us that it does not have any agreement or understanding, directly or indirectly, with any person to distribute the common stock.

We are required to pay certain fees and expenses incurred by us incident to the registration of the shares. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because selling stockholders may be deemed to be “underwriters” within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. Each selling stockholder has advised us that they have not entered into any agreements, understandings or arrangements with any underwriter or broker-dealer regarding the sale of the resale shares. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling stockholders.

We agreed to keep this prospectus effective for twelve (12) months. The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to our common stock for a period of two business days prior to the commencement of the distribution. In addition, the selling stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of our common stock by the selling stockholders or any other person. We will make copies of this prospectus available to the selling stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale.

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LEGAL MATTERS

The validity of the common stock offered by this prospectus will be passed upon for us by K&L Gates LLP, Los Angeles, California. Legal matters as to PRC law will be passed upon for us by Han Kun Law Offices. K&L Gates LLP may rely upon Han Kun Law Offices with respect to matters governed by PRC law.

EXPERTS

The (i) consolidated financial statements of China Intelligent Lighting and Electronics, Inc. as of December 31, 2009 and for the year ended December 31, 2009 (ii) condensed parent-only balance sheet of China Intelligent Lighting and Electronics, Inc. as of December 31, 2009, and the related condensed parent-only statements of income and cash flows for the year ended December 31, 2009 included in footnote 20 to the Consolidated Financial Statements of China Intelligent Lighting and Electronics, Inc., each appearing in this prospectus and registration statement have been audited by MaloneBailey, LLP, an independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The (i) consolidated financial statements of China Intelligent Lighting and Electronics, Inc. as of December 31, 2008 and 2007 and for the years ended December 31, 2008 and 2007 (ii) and the condensed parent-only balance sheet of China Intelligent Lighting and Electronics, Inc. as of December 31, 2008 and the related condensed parent-only statements of operations and cash flows for the year ended December 31, 2008 and the period October 11, 2007 (inception) to December 31, 2007 included in footnote 20 to the Consolidated Financial Statements of China Intelligent Lighting and Electronics, Inc., each appearing in this prospectus and registration statement have been audited by Kempisty & Company Certified Public Accountants PC, an independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

We filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended, for the shares of common stock in this offering. This prospectus does not contain all of the information in the registration statement and the exhibits and schedule that were filed with the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and the exhibits and schedule that were filed with the registration statement. Statements contained in this prospectus about the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and we refer you to the full text of the contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedules that were filed with the registration statement may be inspected without charge at the Public Reference Room maintained by the Securities and Exchange Commission at 100 F Street, N.E. Washington, DC 20549, and copies of all or any part of the registration statement may be obtained from the Securities and Exchange Commission upon payment of the prescribed fee. Information regarding the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

We file periodic reports under the Securities Exchange Act of 1934, including annual, quarterly and special reports, and other information with the Securities and Exchange Commission. These periodic reports, and other information, are available for inspection and copying at the regional offices, public reference facilities and website of the Securities and Exchange Commission referred to above.

We are in the process of establishing a corporate website and expect to have it complete in the near future. We intend to make available free of charge on or through our internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

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PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, if any, payable by the Registrant relating to the sale of common stock being registered.

Securities and Exchange Commission registration fee(1)	$ 2,001
FINRA Filing Fee(1)	1,365
NYSE Amex Listing Fee(1)	65,000
Printing and transfer agent fees	90,000
Accounting fees and expenses	175,000
Legal fees and expenses	275,000
Underwriters' counsel fees and blue sky fees	40,000
Non-accountable fee to underwriters equal to 2.5% of gross proceeds (assuming no exercise of the over-allotment option)	251,250
Roadshow fees and expenses	10,000
Total	$ 909,616

(1) All amounts are estimates other than the Commission's registration fee, FINRA filing fee and NYSE Amex listing fee.

Item 14. Indemnification of directors and officers

Under Section 145 of the General Corporation Law of the State of Delaware, we can indemnify our directors and officers against liabilities they may incur in such capacities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). Our certificate of incorporation provides that, pursuant to Delaware law, our directors shall not be liable for monetary damages for breach of the directors' fiduciary duty of care to us and our stockholders. This provision in the certificate of incorporation does not eliminate the duty of care, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Delaware law. In addition, each director will continue to be subject to liability for breach of the director's duty of loyalty to us or our stockholders, for acts or omissions not in good faith or involving intentional misconduct or knowing violations of the law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are unlawful under Delaware law. The provision also does not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

Our bylaws provide for the indemnification of our directors to the fullest extent permitted by the Delaware General Corporation Law. Our bylaws further provide that our Board of Directors has discretion to indemnify our officers and other employees. We are required to advance, prior to the final disposition of any proceeding, promptly on request, all expenses incurred by any director or executive officer in connection with that proceeding on receipt of an undertaking by or on behalf of that director or executive officer to repay those amounts if it should be determined ultimately that he or she is not entitled to be indemnified under the bylaws or otherwise. We are not, however, required to advance any expenses in connection with any proceeding if a determination is reasonably and promptly made by our Board of Directors by a majority vote of a quorum of disinterested Board members that (i) the party seeking an advance acted in bad faith or deliberately breached his or her duty to us or our stockholders and (ii) as a result of such actions by the party seeking an advance, it is more likely than not that it will ultimately be determined that such party is not entitled to indemnification pursuant to the applicable sections of our bylaws.

We have been advised that in the opinion of the Securities and Exchange Commission, insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event a claim for indemnification against such liabilities (other than our payment of expenses incurred or paid by our director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

We may enter into indemnification agreements with each of our directors and officers that are, in some cases, broader than the specific indemnification provisions permitted by Delaware law, and that may provide additional procedural protection. As of the date of the Share Exchange, we have not entered into any indemnification agreements with our directors or officers, but may choose to do so in the future. Such indemnification agreements may require us, among other things, to:

- indemnify officers and directors against certain liabilities that may arise because of their status as officers or directors;
- advance expenses, as incurred, to officers and directors in connection with a legal proceeding, subject to limited exceptions; or
- obtain directors' and officers' insurance.

At present, there is no pending litigation or proceeding involving any of our directors, officers or employees in which indemnification is sought, nor are we aware of any threatened litigation that may result in claims for indemnification.

Item 15. Recent sales of unregistered securities

On January 15, 2010, pursuant to the terms of the Exchange Agreement, as amended, entered into by and between SRKP 22, China Intelligent BVI and the sole shareholder of China Intelligent BVI, SRKP 22 issued 7,097,748 shares of common stock to the shareholder and her designees in exchange for all of the issued and outstanding securities of China Intelligent BVI. All of the securities were offered and issued in reliance upon an exemption from registration pursuant to Regulation S of the Securities Act of 1933, as amended ("Securities Act"). We complied with the conditions of Rule 903 as promulgated under the Securities Act including, but not limited to, the following: (i) each recipient of the shares is a non-U.S. resident and has not offered or sold their shares in accordance with the provisions of Regulation S; (ii) an appropriate legend was affixed to the securities issued in accordance with Regulation S; (iii) each recipient of the shares has represented that it was not acquiring the securities for the account or benefit of a U.S. person; and (iv) each recipient of the shares agreed to resell the securities only in accordance with the provisions of Regulation S, pursuant to a registration statement under the Securities Act, or pursuant to an available exemption from registration. We will refuse to register any transfer of the shares not made in accordance with Regulation S, after registration, or under an exemption.

On January 15, 2010, we received gross proceeds of approximately $3.5 million in the closing of a private placement transaction (the "Private Placement"). Pursuant to subscription agreements entered into with the investors, we sold an aggregate of 1,377,955 shares of Common Stock at $2.54 per share.   We agreed to pay WestPark Capital, Inc., the placement agent for the Private Placement, a commission equal to 8% of the gross proceeds from the financing, in addition to a $140,000 success fee for the Share Exchange, and an $80,000 due diligence fee. The securities were offered and sold to investors in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act and Rule 506 promulgated thereunder. Each of the persons and/or entities receiving our securities qualified as an accredited investor (as defined by Rule 501 under the Securities Act).

On October 11, 2007, we offered and sold an aggregate of 3,548,196 shares of our common stock for aggregate proceeds equal to $5,000.12, pursuant to the terms and conditions set forth in those certain common stock purchase agreements (each a "Common Stock Purchase Agreement"), and warrants (the "Warrants") to purchase an aggregate of 3,548,196 shares of our common stock for aggregate proceeds equal to $2,500.05, pursuant to the terms and conditions set forth in those certain warrant purchase agreement (each a "Warrant Purchase Agreement"). The Warrants have an exercise price equal to $0.0002. The Warrants are immediately exercisable and terminate on the earlier of October 11, 2017 or five years from the date we consummate a merger or other business combination with an operating business or any other event pursuant to which we cease to be a "shell company" and a "blank check company."

This occurred upon the close of the Share Exchange that closed on January 15, 2010. We sold these shares of Common Stock and Warrants under the exemption from registration provided by Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

Item 16. Exhibits

Exhibit No.	Exhibit Description
1.1***	Form of Underwriting Agreement.
2.1	Share Exchange Agreement, dated as of October 20, 2009, by and among the Registrant, China Intelligent Electronic Holding Limited, and Li Xuemei (incorporated by reference from Exhibit 2.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
2.1(a)	Amendment No. 1 dated November 25, 2009 to the Share Exchange Agreement entered into by and between the Registrant, China Intelligent Electronic Holding Limited, and Li Xuemei (incorporated by reference from Exhibit 2.1(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
2.1(b)	Amendment No. 2 dated January 15, 2010 to the Share Exchange Agreement entered into by and between the Registrant, China Intelligent Electronic Holding Limited, and Li Xuemei (incorporated by reference from Exhibit 2.1(b) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
3.1	Certificate of Incorporation (incorporated by reference from Exhibit 3.1 to the Registration Statement on Form 10-SB (File No. 000-53018) filed with the Securities and Exchange Commission on January 16, 2008).
3.2	Bylaws (incorporated by reference from Exhibit 3.2 to the Registration Statement on Form 10-SB (File No. 000-53018) filed with the Securities and Exchange Commission on January 16, 2008).
3.3	Articles of Merger effecting name change filed with the Office of Secretary of State of Delaware on January 15, 2010 (incorporated by reference from Exhibit 3.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
3.4	Certificate of Amendment to the Certificate of Incorporation (incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 17, 2010).
4.1***	Specimen Certificate of Common Stock.
4.2	Form of Warrant dated October 11, 2007 (incorporated by reference from Exhibit 4.1 to the Registration Statement on Form 10-SB (File No. 000-53018) filed with the Securities and Exchange Commission on January 16, 2008).
4.3***	Form of Underwriters Warrant.
5.1***	Opinion of K&L Gates LLP.
10.1	Registration Rights Agreement dated January 15, 2010 entered into by and between the Registrant and Stockholders (incorporated by reference from Exhibit 10.1 to the Current

Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).

10.2	Share and Warrant Cancellation Agreement dated January 15, 2010 entered into by and between the Registrant and Stockholders (incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.3	Form of 2009 Employment Agreement dated January 2009 entered into with Dong Bin and Wu Shiliang (translated to English) (incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).

Exhibit No.	Exhibit Description
10.4	Employment Agreement for CFO Position dated November 23, 2009 entered into by and between China Intelligent Electronic Holding Limited and Xialong Zhou (incorporated by reference from Exhibit 10.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.4(a)	Mutual Termination Agreement for CFO Position dated December 31, 2009 entered into by and between China Intelligent Electronic Holding Limited and Xialong Zhou (incorporated by reference from Exhibit 10.4(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.5***	Factory Premises Lease Rental Agreement entered by and between NIVS (HZ) Audio and Video Tech. Co., Ltd. and Hyundai Light & Electric (HZ) Co., Ltd. with effect through July 1, 2010 (incorporated by reference from Exhibit 10.5 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.5(a) ***	Renewal Agreement dated June 9, 2010 for Factory Premises Lease Rental Agreement entered by and between NIVS (HZ) Audio and Video Tech. Co., Ltd. and Hyundai Light & Electric (HZ) Co., Ltd. with effect through June 2013.
10.6	Floors Lease Agreement dated March 30, 2007 entered into by and between ShunKang Department Store and Hyundai Light & Electric (HZ) Co., Ltd. (incorporated by reference from Exhibit 10.6 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.6(a)	Floor Lease Renewal Agreement dated April 8, 2009 for the Floors Lease Agreement dated March 30, 2007 entered into by and between ShunKang Department Store and Hyundai Light & Electric (HZ) Co., Ltd. (incorporated by reference from Exhibit 10.6(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.7**	Trademark License Agreement dated July 31, 2005 entered into by and between Hyundai Corporation and Hyundai Light and Electric (Huizhou) Co., Ltd. (incorporated by reference from Exhibit 10.7 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.7(a)**	Trademark License Agreement dated September 10, 2008 entered into by and between Hyundai Corporation and Hyundai Light and Electric (Huizhou) Co., Ltd. (incorporated by reference from Exhibit 10.7(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.8	Debt Repayment and Set-Off Agreement dated November 28, 2008, by and between Korea Hyundai Light & Electric (Int'l) Holding and Hyundai Light & Electric (HZ) Co., Ltd. and Tianfu Li, NIVS IntelliMedia Technology Group, Inc., Niveous Holding Company Limited, NIVS (HZ) Audio & Video Tech Company Limited, NIVS International (H.K.) Limited, NIVS (HZ) Audio & Video Tech Company Limited Shenzhen Branch, NIVS Investment (SZ) Co., Ltd., Zhongkena Technology Development, Xentsan Technology (SZ) Co., Ltd. (incorporated by reference from Exhibit 10.8 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).

10.8(a)	Amendment No. 1 to the Debt Repayment and Set-Off Agreement dated December 22, 2008, by and between by and between Korea Hyundai Light & Electric (Int'l) Holding and Hyundai Light & Electric (HZ) Co., Ltd. and Tianfu Li, NIVS IntelliMedia Technology Group, Inc., Niveous Holding Company Limited, NIVS (HZ) Audio & Video Tech Company Limited, NIVS International (H.K.) Limited, NIVS (HZ) Audio & Video Tech Company Limited Shenzhen Branch, NIVS Investment (SZ) Co., Ltd., Zhongkena Technology Development, Xentsan Technology (SZ) Co., Ltd. (incorporated by reference from Exhibit 10.8(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.9	Indemnification Agreement dated January 15, 2010 entered into by and between Li Xuemei, China Intelligent Electronic Holding Limited, Hyundai Light and Electric (Huizhou) Co., Ltd. (incorporated by reference from Exhibit 10.9 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.10	Security Agreement dated January 15, 2010 entered into by and between Li Xuemei, China Intelligent Electronic Holding Limited, Hyundai Light and Electric (Huizhou) Co., Ltd. (incorporated by reference from Exhibit 10.10 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).

Exhibit No.	Exhibit Description
10.11	Employment Agreement dated December 28, 2009 entered into by and between the China Intelligent Electric Holding Limited and Chi-wai (Gabriel) Tse (English Translation) (incorporated by reference from Exhibit 10.11 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.12	Waiver and Debt Forgiveness Agreement for China Intelligent Electric Holding Limited dated October 1, 2008 executed by Tianfu Li (English Translation) (incorporated by reference from Exhibit 10.12 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.13	Waiver and Debt Forgiveness Agreement for Korea Hyundai Light & Electric (International) Holding Limited dated December 26, 2008 executed by Tianfu Li (English Translation) (incorporated by reference from Exhibit 10.13 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.14***	Form of Subscription Agreement dated January 15, 2010 between investors and the Registrant.
10.15	Employment Agreement dated May 5, 2010 by and between the Registrant and Kui (Kevin) Jiang (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2010).
10.16***	Form of Lock Up Agreement executed by SRKP 22, Inc. Shareholders as indicated in Appendix A of this Exhibit.
10.17***	Lock Up Agreement dated June 4, 2010 between WestPark Capital Financial Services, LLC and the Registrant.
10.18***	Warrant Cancellation Agreement dated June 14, 2010 entered into by and between the Registrant and WestPark Capital Financial Services, LLC.
10.19***	Lease Agreement dated April 5, 2010 entered into by and between Hu Guilan and the Registrant.
16.1	Letter from AJ. Robbins, PC to the Securities and Exchange Commission dated January 15, 2010 (incorporated by reference from Exhibit 16.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
16.2	Letter from Kempisty & Company Certified Public Accountants PC to the Securities and Exchange Commission dated March 10, 2010 (incorporated by reference from Exhibit 16.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 12, 2010).
21.1	List of Subsidiaries (incorporated by reference from Exhibit 21.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
23.1	Consent of Kempisty & Company Certified Public Accountants PC.
23.2***	Consent of K&L Gates LLP (contained in Exhibit 5.1).

23.3	Consent of Han Kun Law Offices.
23.4	Consent of MaloneBailey, LLP.
24.1***	Power of Attorney (included on signature page).

** The Registrant has applied with the Secretary of the Securities and Exchange Commission for confidential treatment of certain information pursuant to Rule 24b-2 of the Securities Exchange Act of 1934. The Registrant has filed separately with its application a copy of the exhibit including all confidential portions, which may be made available for public inspection pending the Commission's review of the application in accordance with Rule 24b-2.
*** Previously filed.

Item 17. Undertakings

The undersigned registrant hereby undertakes with respect to the securities being offered and sold in this offering:

To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change in such information in registration statement.

That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

To remove from registration by means of post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

For determining liability of the undersigned registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

i. in any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

ii. any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

iii. the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

iv. any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities, other than the payment by the registrant of expenses incurred and paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding, is asserted by such director, officer or controlling person in connection with the securities being registered hereby, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that it will:

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(i) for determining any liability under the Securities Act, treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1), or (4) or 497(h) under the Securities Act as part of this registration statement as of the time the Commission declared it effective.

(ii) for determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

For the purpose of determining liability under the Securities Act to any purchaser, the undersigned registrant undertakes that each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

For the purpose of determining liability under the Securities Act to any purchaser, the undersigned registrant undertakes that:

(i) if the undersigned registrant is relying on Rule 430B:

(a) each prospectus filed by the undersigned registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(b) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) if the undersigned registrant is subject to Rule 430C:

(a) Each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Amendment No. 7 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Huizhou, People's Republic of China, on the 16th day of June, 2010.

China Intelligent Lighting and Electronics, Inc.

By:	/s/ Li Xuemei
Name:	Li Xuemei
Title:	Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ Li Xuemei Li Xuemei	Chief Executive Office, President, and Chairman of the Board (Principal Executive Officer)	June 16, 2010
/s/ Kui (Kevin) Jiang Kui (Kevin) Jiang	Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)	June 16, 2010
* Wu Shiliang	Executive Vice President, Sales and Marketing and Director	June 16, 2010
* Michael Askew	Director	June 16, 2010
* Su Yang	Director	June 16, 2010
* Zhang Hongfeng	Director	June 16, 2010

* By: /s/ Li Xuemei

Li Xuemei, as Attorney in Fact

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EXHIBIT INDEX

Exhibit No.	Exhibit Description
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2.1(a)	Amendment No. 1 dated November 25, 2009 to the Share Exchange Agreement entered into by and between the Registrant, China Intelligent Electronic Holding Limited, and Li Xuemei (incorporated by reference from Exhibit 2.1(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
2.1(b)	Amendment No. 2 dated January 15, 2010 to the Share Exchange Agreement entered into by and between the Registrant, China Intelligent Electronic Holding Limited, and Li Xuemei (incorporated by reference from Exhibit 2.1(b) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
3.1	Certificate of Incorporation (incorporated by reference from Exhibit 3.1 to the Registration Statement on Form 10-SB (File No. 000-53018) filed with the Securities and Exchange Commission on January 16, 2008).
3.2	Bylaws (incorporated by reference from Exhibit 3.2 to the Registration Statement on Form 10-SB (File No. 000-53018) filed with the Securities and Exchange Commission on January 16, 2008).
3.3	Articles of Merger effecting name change filed with the Office of Secretary of State of Delaware on January 15, 2010 (incorporated by reference from Exhibit 3.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
3.4	Certificate of Amendment to the Certificate of Incorporation (incorporated by reference from Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 17, 2010).
4.1***	Specimen Certificate of Common Stock.
4.2	Form of Warrant dated October 11, 2007 (incorporated by reference from Exhibit 4.1 to the Registration Statement on Form 10-SB (File No. 000-53018) filed with the Securities and Exchange Commission on January 16, 2008).
4.3***	Form of Underwriters Warrant.
5.1***	Opinion of K&L Gates LLP.
10.1	Registration Rights Agreement dated January 15, 2010 entered into by and between the Registrant and Stockholders (incorporated by reference from Exhibit 10.1 to the Current

	Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
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10.4	Employment Agreement for CFO Position dated November 23, 2009 entered into by and between China Intelligent Electronic Holding Limited and Xialong Zhou (incorporated by reference from Exhibit 10.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.4(a)	Mutual Termination Agreement for CFO Position dated December 31, 2009 entered into by and between China Intelligent Electronic Holding Limited and Xialong Zhou (incorporated by reference from Exhibit 10.4(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).

Exhibit No.	Exhibit Description
10.5	Factory Premises Lease Rental Agreement entered by and between NIVS (HZ) Audio and Video Tech. Co., Ltd. and Hyundai Light & Electric (HZ) Co., Ltd. with effect through July 1, 2010 (incorporated by reference from Exhibit 10.5 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.5(a)***	Renewal Agreement dated June 9, 2010 for Factory Premises Lease Rental Agreement entered by and between NIVS (HZ) Audio and Video Tech. Co., Ltd. and Hyundai Light & Electric (HZ) Co., Ltd. with effect through June 2013.
10.6	Floors Lease Agreement dated March 30, 2007 entered into by and between ShunKang Department Store and Hyundai Light & Electric (HZ) Co., Ltd. (incorporated by reference from Exhibit 10.6 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.6(a)	Floor Lease Renewal Agreement dated April 8, 2009 for the Floors Lease Agreement dated March 30, 2007 entered into by and between ShunKang Department Store and Hyundai Light & Electric (HZ) Co., Ltd. (incorporated by reference from Exhibit 10.6(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.7**	Trademark License Agreement dated July 31, 2005 entered into by and between Hyundai Corporation and Hyundai Light and Electric (Huizhou) Co., Ltd. (incorporated by reference from Exhibit 10.7 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.7(a)**	Trademark License Agreement dated September 10, 2008 entered into by and between Hyundai Corporation and Hyundai Light and Electric (Huizhou) Co., Ltd. (incorporated by reference from Exhibit 10.7(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.8	Debt Repayment and Set-Off Agreement dated November 28, 2008, by and between Korea Hyundai Light & Electric (Int'l) Holding and Hyundai Light & Electric (HZ) Co., Ltd. and Tianfu Li, NIVS IntelliMedia Technology Group, Inc., Niveous Holding Company Limited, NIVS (HZ) Audio & Video Tech Company Limited, NIVS International (H.K.) Limited, NIVS (HZ) Audio & Video Tech Company Limited Shenzhen Branch, NIVS Investment (SZ) Co., Ltd., Zhongkena Technology Development, Xentsan Technology (SZ) Co., Ltd. (incorporated by reference from Exhibit 10.8 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.8(a)	Amendment No. 1 to the Debt Repayment and Set-Off Agreement dated December 22, 2008, by and between by and between Korea Hyundai Light & Electric (Int'l) Holding and Hyundai Light & Electric (HZ) Co., Ltd. and Tianfu Li, NIVS IntelliMedia Technology Group, Inc., Niveous Holding Company Limited, NIVS (HZ) Audio & Video Tech Company Limited, NIVS International (H.K.) Limited, NIVS (HZ) Audio & Video Tech Company Limited Shenzhen Branch, NIVS Investment (SZ) Co., Ltd., Zhongkena Technology Development, Xentsan Technology (SZ) Co., Ltd. (incorporated by reference from Exhibit 10.8(a) to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).

10.9	Indemnification Agreement dated January 15, 2010 entered into by and between Li Xuemei, China Intelligent Electronic Holding Limited, Hyundai Light and Electric (Huizhou) Co., Ltd. (incorporated by reference from Exhibit 10.9 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.10	Security Agreement dated January 15, 2010 entered into by and between Li Xuemei, China Intelligent Electronic Holding Limited, Hyundai Light and Electric (Huizhou) Co., Ltd. (incorporated by reference from Exhibit 10.10 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.11	Employment Agreement dated December 28, 2009 entered into by and between the China Intelligent Electric Holding Limited and Chi-wai (Gabriel) Tse (English Translation) (incorporated by reference from Exhibit 10.11 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.12	Waiver and Debt Forgiveness Agreement for China Intelligent Electric Holding Limited dated October 1, 2008 executed by Tianfu Li (English Translation) (incorporated by reference from Exhibit 10.12 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).

Exhibit No.	Exhibit Description
10.13	Waiver and Debt Forgiveness Agreement for Korea Hyundai Light & Electric (International) Holding Limited dated December 26, 2008 executed by Tianfu Li (English Translation) (incorporated by reference from Exhibit 10.13 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
10.14***	Form of Subscription Agreement dated January 15, 2010 between investors and the Registrant.
10.15	Employment Agreement dated May 5, 2010 by and between the Registrant and Kui (Kevin) Jiang (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2010).
10.16***	Form of Lock Up Agreement executed by SRKP 22, Inc. Shareholders as indicated in Appendix A of this Exhibit.
10.17***	Lock Up Agreement dated June 4, 2010 between WestPark Capital Financial Services, LLC and the Registrant.
10.18***	Warrant Cancellation Agreement dated June 14, 2010 entered into by and between the Registrant and WestPark Capital Financial Services, LLC.
10.19***	Lease Agreement dated April 5, 2010 entered into by and between Hu Guilan and the Registrant.
16.1	Letter from AJ. Robbins, PC to the Securities and Exchange Commission dated January 15, 2010 (incorporated by reference from Exhibit 16.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
16.2	Letter from Kempisty & Company Certified Public Accountants PC to the Securities and Exchange Commission dated March 10, 2010 (incorporated by reference from Exhibit 16.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 12, 2010).
21.1	List of Subsidiaries (incorporated by reference from Exhibit 21.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
23.1	Consent of Kempisty & Company Certified Public Accountants PC.
23.2***	Consent of K&L Gates LLP (contained in Exhibit 5.1).
23.3	Consent of Han Kun Law Offices.
23.4	Consent of MaloneBailey, LLP.
24.1***	Power of Attorney (included on signature page).

** The Registrant has applied with the Secretary of the Securities and Exchange Commission for confidential treatment of certain information pursuant to Rule 24b-2 of the Securities Exchange Act of 1934. The Registrant has filed separately with its application a copy of the exhibit including all confidential portions, which may be made available for public inspection pending the Commission's review of the application in accordance with Rule 24b-2.
*** Previously filed.
