

GTX CORP
Form S-1/A
October 27, 2011

As filed with the Securities and Exchange Commission on October 27, 2011
Registration No. 333-177146

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

AMENDMENT NO. 1
TO
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

GTX Corp
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	3663 (Primary Standard Industrial Classification Code Number)	98-0493446 (I.R.S. Employer Identification No.)
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117 W. 9th Street, #1214
Los Angeles, CA 90015
(213) 489-3019
(Address, including zip code and telephone
number, including area code, of registrant's
principal executive offices)

Patrick Bertagna,
Chief Executive Officer
GTX Corp
117 W. 9th Street, #1214
Los Angeles, California 90015
(213) 489-3019
(Name, address, including zip code and telephone
number, including area code, of agent for service)

Copies to:

Istvan Benko, Esq.
TroyGould PC
1801 Century Park East, Suite 1600
Los Angeles, California 90067
(310) 553-4441

Approximate date of commencement of proposed sale to public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

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offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

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

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
company

The information in this prospectus is not complete and may be changed. The securities offered pursuant to this prospectus may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

Subject To Completion, Dated October 27, 2011

GTX Corp
11,670,000 SHARES OF COMMON STOCK

This prospectus covers the sale by the selling shareholders identified in this prospectus under the section titled “Selling Shareholders” (the “Selling Shareholders”) of up to 11,670,000 shares of the common stock of GTX Corp, a Nevada corporation (together with its subsidiaries, “we,” “our,” or “Company”), which includes 5,720,000 shares of common stock issuable upon the exercise of warrants.

We will pay all expenses, except for any brokerage expenses, fees, discounts and commissions, which will all be paid by the Selling Shareholders, incurred in connection with the offering described in this prospectus. Our common stock is more fully described in the section of this prospectus entitled “Description of Securities.”

Our common stock is quoted on the OTC Bulletin Board (“OTCBB”) under the symbol “GTXO.” The closing price of our common stock as reported on the OTCBB on October 25, 2011, was \$0.08 per share.

The prices at which the Selling Shareholders may sell the shares of common stock that are part of this offering will be determined by the prevailing market price for the shares at the time the shares are sold, or at such a price negotiated price or prices determined, from time to time, by the Selling Shareholders. See “Plan of Distribution.” The Selling Shareholders may be deemed “underwriters” within the meaning of the Securities Act of 1933, as amended, in connection with the sale of their common stock under this prospectus.

We will not receive any of the proceeds from the sale of the shares of common stock owned by the Selling Shareholders, but we may receive funds from the exercise of their warrants upon exercise. Any proceeds received from the exercise of the warrants will be used by us for working capital and general corporate purposes.

You should read this prospectus, and any amendment or supplement, together with additional information described under the heading “General” before you decide to invest. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this document.

Our principal executive offices are located at 117 W. 9th Street, # 1214, Los Angeles, California 90015, and our telephone number is (213) 489-3019. Our home page on the Internet can be located at www.gtxcorp.com. Information included on our website is not part of this prospectus.

See the section of this document titled “Risk Factors” beginning on page 7 for certain factors relating to an investment in the shares of common stock offered hereby.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE COMMON STOCK OFFERED HEREBY OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO

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THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is _____, 2011.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that which is contained in this prospectus. This prospectus may be used only where it is legal to sell these securities. The information in this prospectus may only be accurate on the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of securities.

STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some of the statements included in this prospectus and any prospectus supplement contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this prospectus and any prospectus supplement, including statements regarding our plans, objectives, goals, strategies, future events, capital expenditures, future results, our competitive strengths, our business strategy and the trends in our industry are forward-looking statements. The words “believe,” “may,” “could,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “appear,” “future,” “likely,” “suggest,” “goal,” “potential” and similar expressions, as they relate to our company, are intended to identify forward-looking statements. All statements, other than statements of historical fact, included in this prospectus and any prospectus supplement regarding our financial position, business strategy and plans or objectives for future operations are forward looking statements.

These forward looking statements are based on our management’s current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "proposed," "intended," or "continue" or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other "forward-looking" information. Many factors could cause our actual results to differ materially from those projected in these forward-looking statements, including but not limited to: variability of our revenues and financial performance; risks associated with product development and technological changes; the acceptance our products in the marketplace by existing and potential future customers; general economic conditions. You should be aware that the occurrence of any of the events described in this prospectus could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results.

Forward-looking statements reflect only our current expectations. In any forward-looking statement, where we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements due to a number of uncertainties, many of which are unforeseen, including:

- the uncertain market acceptance of our existing and future products;
- our need for, and the availability of, additional capital in the future to fund our operations and the development of new products;
- rapid changes in the telecommunications industry and the development of new wireless technologies that may affect the utility and commercial viability of our products;
- the timing and magnitude of expenditures we may incur in connection with our ongoing product development activities;
-

the success, timing and financial consequences of new strategic relationships or licensing agreements we may enter into; and

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- the level of competition from our existing and from new competitors in our marketplace.

In addition, you should refer to the “Risk Factors” section of this prospectus beginning on page 7 for a discussion of other factors that may cause our actual results to differ materially from those implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this prospectus and any prospectus supplement will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all. Accordingly, you should not place undue reliance on these forward-looking statements. All subsequent written and oral forward looking statements attributable to us or the persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. We undertake no obligation to update any of these forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law or regulation.

PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. Because it is a summary, it does not contain all the information you should consider before investing in our common stock. Before making any investment decision, you should read the entire prospectus carefully, including the “Risk Factors” section of this prospectus beginning on page 7, the financial statements and the notes to the financial statements. Unless stated otherwise, references in this prospectus to the terms “GTX Corp,” “Company,” “we,” “us,” or “our” refer to the ongoing operations of GTX Corp, a Nevada corporation (formerly known as Deeas Resources Inc.) and its wholly-owned subsidiaries, Global Trek Xploration, LOCiMOBILE, Inc., and Code Amber News Service, Inc.

The Company

GTX Corp and subsidiaries (the “Company” or “GTX”) develops and integrates miniaturized Global Positioning System (“GPS”) tracking and cellular location technology for consumer products and service applications. GTX Corp owns 100% of the issued and outstanding capital stock of all three subsidiaries—Global Trek Xploration, LOCiMOBILE, Inc, and Code Amber News Service, Inc. (“CANS”). Global Trek Xploration operates the Company’s core business of hardware and software, design, development, sales and marketing. LOCiMOBILE, Inc. has developed and owns LOCiMobile™, a suite of mobile tracking applications that turn the iPhone, Android, BlackBerry and other GPS enabled smartphones into a tracking device which can then be tracked from smartphone to smartphone or through our Location Data Center tracking portal. Code Amber News Service, the name synonymous with Safety and Trust, is a U.S. and Canadian syndicator of all state Amber Alerts, providing close to 500,000 website tickers and news feeds to merchants, internet service providers, affiliate partners, corporate sponsors and local, state and federal agencies with current missing person’s information. In addition, CANS is in the secure digital identification service and manufactures, sells and manages the Code Amber Alertag across North and South America.

GTX Corp provides various interrelated and complimentary products and services in the Personal Location Services marketplace. We currently conduct our operations through three wholly-owned subsidiaries that operate in related sectors of the personal location services industry. In general our subsidiaries consist of the following:

- Global Trek Xploration (“GTX California”), offers a GPS and cellular location platform that enables subscribers to track in real time the whereabouts of people, pets or high valued assets through a miniaturized transceiver module, wireless connectivity gateway, middleware and viewing portal. On March 18, 2010, GTX California entered into a four-year agreement with Aetrex Worldwide, Inc. (“Aetrex”) pursuant to which we granted Aetrex the licensing rights to our end to end patented two way GPS platform and embed our GPS tracking device into certain footwear products manufactured and sold by Aetrex. Aetrex Worldwide, Inc. is a global leader in pedorthic footwear and foot orthotics. Aetrex has certain exclusive and non-exclusive rights under this agreement. In order to retain its exclusive rights, Aetrex must purchase 156,000 devices from us over the four-year period commencing on the date that we ship to Aetrex the first production order of devices as follows: 6,000 GPS tracking devices in the first year, 25,000 devices during the second year, 50,000 during the third year, and 75,000 devices during the fourth year. Aetrex has issued its first purchase order for 3,000 devices, which we shipped to Aetrex in August/September 2011. The end-users of the GPS enabled Aetrex shoes, expected to be predominately seniors afflicted with dementia, will be required to pay us a monthly service fee, a portion of which will be shared with Aetrex. The Aetrex shoe is scheduled to be released for commercial sale by Aetrex in the fourth quarter of 2011.

On May 28, 2010, the Company entered into a three-year agreement with Midnite Air Corp (“MNX”) granting MNX the exclusive rights to the GPS tracking platform for use in the transportation of high valued assets. In order to retain exclusive rights, MNX must purchase a minimum of 15,000 devices over the three year term at 5,000 per year and activate each device with a monthly monitoring subscription. Each device shipped will automatically be activated within 30 days of receipt with a monthly data monitoring and connectivity subscription fee. We have completed the

integration process between the GTX tracking platform and the MNX backend customer service portal, delivered 40 devices to MNX and activated the monthly monitoring as of September 29, 2011. MNX must purchase an additional 4,960 devices before May 3, 2012 in order to retain their exclusive rights.

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During 2010, the Company also signed two international licensing agreements, with Tracking Central in Australia and with Peace of Mind in Mexico, expanding its international distribution channels.

- Our LOCiMOBILE, Inc. subsidiary has developed, and launched smart-phone mobile applications (“Apps”) for the iPhone, iPad, Android, BlackBerry and other GPS enabled handsets and tablets that permit authorized users to locate and track the movement of the holder of the handset. Our 17 Apps, that run on six different platforms (including iPhone, BlackBerry and Google Android), have experienced over 1,080,000 downloads across 126 countries with two of our Apps in the iTunes top 25 social networking category, reaching number seven on the downloads list, number two on the highest grossing list and iTunes “What’s Hot” list. There are currently several new Apps in development and scheduled for release in the fourth quarter of 2011. These include a series of applications that will be geared for the enterprise user, by offering “private label” versions of our popular consumer apps to companies looking for a more personalized and secure method of keeping track of their employees. In addition, the Company will expand into proximity marketing and begin to leverage its global user base. Our roadmap also consists of further development of additional applications for the iPad and other tablets and TV’s, and more applications for the iPhone, BlackBerry and Google Android operating systems, all of which are expected to further contribute to our user base community, the value of our brand, and revenue increases from App sales, monthly subscriptions and advertising. LOCiMOBILE has created nine new videos that have been posted on YouTube, is formulating two new strategic alliances with signed contracts expected to close in the fourth quarter of 2011, and plans to enter the gaming and entertainment category in order to expand its user base and demographics.
- Our Code Amber News Service, Inc. (“CANS”) subsidiary is a U.S. and Canadian syndicator and content provider of all state Amber Alerts (public notifications of child abductions) and missing person alerts. Additionally, CANS markets and sells the patent pending electronic medical Code Amber Alertag and has recently signed up dozens of online affiliates and channel partners with a current total of 290 affiliates in 61 countries and 25 active fundraising organizations throughout the United States that are selling the Alertag. The Alertag comes with an annual \$19.95 subscription based model and complements the overall GTX business model of providing peace of mind and personal location solutions. Code Amber recently formed an alliance with Lifespire, Inc., a nonprofit organization dedicated to helping developmentally disabled individuals reach their life’s aspirations. LifeSpire is working on a new version of the Code Amber Alertag which will help accelerate the treatment and care of those in need. LifeSpire informed us that their initial 400 unit test order was successful. As a result, LifeSpire has placed an additional order for 1,000 Alertags, scheduled to be shipped in October 2011.

GTX Corp has recognized Latin America as a growing and strategically important market and is engaging this market through partnerships, bilingual sales and technical support staff along with localized software translated into Spanish for the region. GTX Corp has commenced selling personal location solutions to Mexico, Brazil, Colombia, Peru, Chile, Venezuela and Guatemala, through hardware devices, platform licensing and smart phone Apps and Alertags. The Company expects to see significant growth in 2012 as the Company increases the number of local partnerships and marketing efforts in these international territories. For the remainder of 2011 the Company is exploring partnerships in Europe, Canada and China and has signed agreements with companies operating in those territories in order to explore and evaluate expansion into those territories.

In addition, in connection with the soft launch of the MNX package tracking device, the Company is planning to expand into Europe and is securing office space in the United Kingdom to better support the global needs of MNX and Aetrex. We also have engaged three advisors in the region to advance our wireless carrier relationships, expand our mobile apps presence in the European app stores, and to establish licensing partners for the GTX backend monitoring platform. The United Kingdom, Australia, New Zealand, China, Spain, Canada, Israel and other countries in the Middle East are also being explored as potential launch markets in 2012.

Summary Financial Data

Because this is only a summary of our financial information, it does not contain all of the financial information that may be important to you. Therefore, you should carefully read all of the information in this prospectus and any prospectus supplement, including the financial statements and their explanatory notes and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before making a decision to invest in our common stock. The information contained in the following summary is derived from our financial statements for the quarters ended June 30, 2011 and 2010 and the years ended December 31, 2010 and 2009.

	Quarters ended June 30,		Years ended December 31,	
	2011	2010	2010	2009
Revenues	\$254,568	\$217,712	\$425,144	\$253,020
Cost of goods sold	183,336	101,112	221,433	171,018
Net profit	71,232	116,600	203,711	82,002
Salaries and professional fees	719,550	872,293	1,504,420	1,688,951
Research and development	4,049	40,475	67,937	106,711
General and administrative	139,698	185,675	310,112	449,299
Operating expenses	863,297	1,098,443	1,882,469	2,244,961
Loss from operations	(792,065)	(981,843)	(1,678,758)	(2,162,959)
Other income (expense)	(12,196)	636	(621)	37,562
Net loss	\$(804,261)	\$(981,207)	\$(1,679,379)	\$(2,125,397)

Business History

GTX Corp was incorporated in the State of Nevada on April 7, 2006 under its former name “Deeas Resources Inc.” On March 14, 2008, this company (Deeas Resources Inc.) acquired all of the outstanding capital stock of Global Trek Xploration, a California corporation (“GTX California”), in exchange for the issuance of 18,000,001 shares of GTX Corp common stock (the “Exchange Transaction”). Shortly thereafter, we changed our name to GTX Corp.

Our Principal Executive Offices

Our principal executive offices are located at 117 W. 9th Street, Suite 1214, Los Angeles, California 90015. Our telephone number is (213) 489-3019.

General.

We maintain an Internet website at <http://www.gtxcorp.com>. Our annual reports, quarterly reports, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and other information related to this company, are available,

free of charge, on our website as soon as we electronically file those documents with, or otherwise furnish them to, the Securities and Exchange Commission. The Company's Internet website and the information contained therein, or connected thereto, are not, and are not intended, to be incorporated into this prospectus.

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THE OFFERING

During June 2011, we received proceeds totaling \$297,500 from seven accredited investors (who are part of the Selling Shareholders) for an aggregate of 5,950,000 units in a private placement (the "Private Placement"). The foregoing units consisted of 5,950,000 shares of our common stock and warrants to purchase additional shares of common stock and were granted to the investors during August 2011. We are registering 11,670,000 shares of our common stock for resale by Selling Shareholders, of which 5,950,000 shares are currently outstanding and were issued to certain of the Selling Shareholders in the Private Placement. The remaining 5,720,000 shares included in this prospectus represent the estimated maximum number of shares that may be issued to Selling Shareholders upon the exercise of the Warrants. The Warrants were also issued in private transactions.

We are registering the shares in this offering pursuant to a securities purchase agreement we entered into with the seven investors who purchased the shares and warrants referred to herein. We agreed to file this registration statement in order to permit the investors that participated in the financing to publicly sell their shares and the shares that they may acquire upon exercise of the warrants.

Outstanding common stock	69,664,762 common shares issued and outstanding as of September 29, 2011
Securities Offered	11,670,000 shares of common stock, including 5,720,000 shares issuable upon the exercise of Warrants.
Common stock to be outstanding after the offering, assuming the exercise of the Warrants for 5,720,000 of the shares included in this prospectus	75,384,762 shares (1)
Proceeds	We may receive proceeds upon the exercise of the 5,720,000 Warrants. The Selling Shareholders are under no obligation to exercise the Warrants. Proceeds received from the exercise of Warrants will be used for general corporate purposes.
Risk Factors	The securities offered hereby involve a high degree of risk. See "Risk Factors" on page 7 and the other information in this prospectus for a discussion of the factors you should consider before you decide to invest in the shares of common stock offered hereby.
<u>OTC Bulletin Board Symbol</u>	GTXO

(1) Does not include 2,677,830 shares of common stock issuable upon the exercise of outstanding options (with exercise prices ranging from \$0.065 to \$0.75 per share), and 1,271,000 shares of common stock issuable upon the exercise of outstanding warrants (with exercise prices of \$0.40).

Unless otherwise specifically stated, information throughout this prospectus does not assume the exercise of outstanding options or warrants to purchase shares of our common stock.

RISK FACTORS

In addition to the other information included in this prospectus and any prospectus supplement, the following factors should be carefully considered in evaluating our business, financial position and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position or future prospects. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we have projected. Investing in our common stock is highly speculative and involves a high degree of risk. Any potential investor should carefully consider the risks and uncertainties described below before purchasing any shares of our common stock. There may be additional risks that we do not presently know or that we currently believe are immaterial which could also materially adversely affect our business, financial position or future prospects. As a result, the trading price of our stock could decline, and you might lose all or part of your investment. Our business, financial condition and operating results, or the value of any investment you make in the stock of our company, or both, could be adversely affected by any of the factors listed and described below.

Risks Related to Our Business

We will need additional funding in the near future to continue to fund our current level of operations.

As of December 31, 2010, we had a working capital deficit of approximately \$283,000 and an accumulated deficit of approximately \$11,247,000. In addition, for the year ended December 31, 2010, we had a loss of approximately \$1,679,000 and negative cash flow from operating activities of approximately \$896,000. As of June 30, 2011, we had approximately \$341,000 of cash and cash equivalents, and working capital of approximately \$93,000. Therefore, we will have to obtain additional funding from the sale of our securities or from strategic transactions in order to fund our current level of operations. We have not identified the sources for the additional financing that we will require, and we do not have commitments from third parties to provide this financing. Certain investors may be unwilling to invest in our securities since we are traded on the OTC Bulletin Board and not on a national securities exchange, particularly if there is only limited trading in our common stock on the OTC Bulletin Board at the time we seek financing. There is no assurance that sufficient funding through a financing will be available to us at acceptable terms or at all. Historically, we have raised capital through the issuance of our equity securities. However, given the risks associated with our business, the risks associated with our common stock, the worldwide financial crisis that has severely affected the capital markets, and our status as a small, unknown public company, we expect in the near future, we will have a great deal of difficulty raising capital through traditional financing sources. Therefore, we cannot guarantee that we will be able to raise capital, or if we are able to raise capital, that such capital will be in the amounts needed. Our failure to raise capital, when needed, and in sufficient amounts, will severely impact our ability to continue to develop our business as planned. Any additional funding that we obtain in an equity or convertible debt financing is likely to reduce the percentage ownership of the company held by our existing security holders. The amount of this dilution may be substantial if the trading price of our common stock is low at the time of any financing. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain the needed additional funding, we will have to reduce or even totally discontinue our operations, which would result in a partial or total loss to our stockholders.

We have had operating losses since formation and expect to continue to incur net losses for the near term.

Although we were formed in 2002, we have only recently commenced selling our products and, accordingly, have a limited operating history. As of December 31, 2010, we had an accumulated deficit of approximately \$11,247,000.

We have reported net losses of approximately \$1,679,000 and \$2,125,000 for the years ended December 31, 2010 and 2009, respectively. We received the first order for our products in September 2008, and we have only generated total revenues of approximately \$678,000 during the past two fiscal years. Unless our sales increase substantially in the near future, we anticipate that we will continue to incur net losses in the near term, and we may never be able to achieve profitability. In order to achieve profitable operations we need to significantly increase our revenues from the sales of product and licensing fees. We cannot be certain that our business will ever be successful or that we will generate significant revenues and become profitable.

We may have substantial future cash requirements but no assured financing source to meet such requirements.

Based on recent shipments and our internal cash projections, we believe we will have sufficient cash to support our projected operating needs for the current fiscal year. In addition, if we need additional funds, we may be able to obtain such additional funds under the Equity Line provided by Dutchess. However, with limited revenues from sales of our products and services, our business plan that calls for us to continue to improve our products, create new products, and more aggressively market our existing products will require us to obtain additional working capital. Our future capital requirements will depend on many factors, including continued progress in product enhancements and new product development programs, the magnitude of these programs, the time and costs involved in completion of technological, manufacturing and market requirements, and the cost of finalizing licensing agreements to produce licensing revenues. We currently do not have the funds required to fund the expansion of our operations in accordance with our business plan, and we do not know if additional financing will be available when needed, or on terms favorable to us or our stockholders – particularly in light of current economic conditions which have significantly impacted the availability of credit, and other sources of capital. We may raise necessary funds through public or private equity offerings, debt financings or additional corporate collaboration and licensing arrangements. To the extent we raise additional capital by issuing equity securities, our stockholders will experience further dilution. If we raise funds through debt financings, we may become subject to restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or products, or grant licenses on terms that are not favorable to us.

If additional funding is not available to us, we may be required to delay, scale-back or eliminate our product enhancement and new product development programs or obtain funds through collaborative partners or others that may require us to relinquish rights to certain of our potential products that we would not otherwise relinquish. There can be no assurance that additional financing will be available on acceptable terms or at all, if and when required.

We have limited experience and not an extensive history of operations or sales.

Although we entered into a license agreement with a global leader in pedorthic footwear and foot orthotics for the manufacture and distribution of GPS tracking and location shoe products (mostly for senior citizens), the first shipment of shoes was only recently shipped to our distributor. As a result, we do not yet have any reliable market data from which we could estimate with certainty what the demand will be for shoe product in the future. Accordingly, our business model has not yet been tested in the market and we have limited operating or sales history on which an investor can evaluate our operations and prospects. To date, we only have preliminary data to support our belief that our products will be accepted by the market and will be able to sustain our business. Accordingly, we are unable to accurately forecast the market acceptance of our existing and future products. As a result, an investment in our company is highly speculative and no assurance can be given that our business model will be successful and, therefore, that our stockholders will realize any return on their investment or

that they will not lose their entire investment.

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We may have to seek additional funding. If additional funding is not available in the future, we will have to limit, scale-back or cease operations.

We currently have limited funds available from which we can fund our current and proposed operating activities. The amount of funds currently available to us, the availability of the Dutchess Equity Line, and the monthly amount of revenues that we expect to generate collectively are expected to be sufficient to fund our operating expenses for the next 12 months. However, if our actual operating expenses exceed our forecast, or if revenues do not reach our anticipated levels we will have to obtain additional public or private equity financings or debt financings in order to continue our operations. We have not identified the sources for the additional financing that we will require. Certain investors may be unwilling to invest in our securities since we are traded on the OTC Bulletin Board and not on a national securities exchange, particularly if there is only limited trading in our common stock on the OTC Bulletin Board at the time we seek financing. There is no assurance that sufficient funding through a financing will be available to us at acceptable terms or at all. Any additional funding that we obtain in a financing is likely to reduce the percentage ownership of the company held by our existing security-holders. The amount of this dilution may be substantially increased if the trading price of our common stock has declined at the time of any financing from its current levels. We may also attempt to raise funds through corporate collaboration and licensing arrangements. To the extent we raise additional capital by issuing equity securities, our stockholders will experience further dilution. If we raise funds through debt financings, we may become subject to restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or products, or grant licenses on terms that are not favorable to us. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain the needed additional funding, we will have to reduce or even totally discontinue our operations, which would have a significant negative impact on our stockholders and could result in a total loss of their investment in our stock.

Our future capital requirements, and our currently projected operating and liquidity requirements, will depend on many factors, including:

- Our ongoing general and administrative expenses related to our being a reporting company;
- Market acceptance of, and revenues generated by our existing and new LOCiMOBILE® products that are downloaded onto the iPhone, Blackberry, Android and other smartphones, and the revenues generated from users of our smartphone products;
- Sales revenues generated from the sale of our GPS devices to Aetrex Worldwide, Inc. and MNX under our license agreements, and the amount of monthly cellular fees we receive from purchasers of the Aetrex GPS shoes powered by GTX Corp;
 - The cost of developing and improving our products and technologies; and
- The consummation of one or more licensing agreements with the parties currently considering the release of products based on our technologies.
 - The sale of devices to our International partners and the corresponding monthly subscription fees.

Funding, especially on terms acceptable to us, may not be available to meet our future capital needs because of the state of the credit and capital markets. Global market and economic conditions have been, and continue to be, disruptive and volatile. The cost of raising money in the debt and equity capital markets for smaller companies like ours has increased substantially while the availability of funds from those markets has diminished significantly. Also, low valuations and decreased appetite for equity investments, among other factors, may make the equity markets

difficult to access on acceptable terms or unavailable altogether.

If adequate funds are not available, we may be required to delay, scale-back or eliminate our product enhancement and new product development programs. There can be no assurance that additional financing will be available on acceptable terms or at all, if and when required.

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We may not be able to access sufficient funds under our Equity Line with Dutchess Equity Fund, L.P. when needed.

We entered into the Equity Line with Dutchess in November 2009 in order to enable us to obtain funding from Dutchess if and when we need additional capital. Our ability to put (sell) shares to Dutchess and obtain funds under our Equity Line is limited by the terms and conditions in the Investment Agreement with Dutchess, including restrictions on our ability to put shares to Dutchess to the extent that it would cause Dutchess to beneficially own more than 4.99% of our outstanding shares. As of September 30, 2011, we have used the Equity Line on a limited basis, and have obtained proceeds of approximately \$614,000 from the sale of approximately 7.3 million shares of common stock to Dutchess.

The nature of our business is speculative and dependent on a number of variables beyond our control that cannot be reliably ascertained in advance.

The revenues and profits of an enterprise involved in the location based business are generally dependent upon many variables. Our customer appeal depends upon factors which cannot be reliably ascertained in advance and over which we have no control, such as unpredictable critic reviews and appeal to the public. As with any relatively new business enterprise operating in a specialized and intensely competitive market, we are subject to many business risks which include, but are not limited to, unforeseen marketing difficulties, excessive research and development expenses, unforeseen negative publicity, competition, product liability issues, manufacturing and logistical difficulties, and lack of operating experience. Many of the risks may be unforeseeable or beyond our control. There can be no assurance that we will successfully implement our business plan in a timely or effective manner, that we will be able to generate sufficient interest in our products, or that we will be able to market and sell enough products and services to generate sufficient revenues to continue as a going concern.

Our wireless location products and technologies are new and may not be accepted in the market, which would dramatically alter our financial results.

We have had only a limited release of our planned wireless locator products in the market. Although we have entered into a licensing agreement with Aetrex Worldwide, Inc. for the manufacture and sale by Aetrex of GPS enabled shoe products, no such products have yet been released. In addition, while we are currently a party to certain product development and test agreements to determine if our products can successfully be sold in other territories (i.e. Mexico, Australia, India, Pakistan, Israel, Nepal, etc.) and incorporated into other consumer and commercial products (such as in proprietary GPS enabled transport containers), these agreements are still in the testing and development phase. There can be no assurances that consumer or commercial demand will meet, or even approach, our expectations. In addition, our pricing and marketing strategies may not be successful. Lack of customer demand, a change in marketing strategy and changes to our pricing models could dramatically alter our financial results.

In order for our products to be successful, we need to establish market recognition quickly, following the introduction of our products.

We believe it is imperative to our success that we obtain significant market recognition in order to compete in our various markets. We have numerous competitors in all of our markets, many of whom have products that directly compete with our existing and proposed products and services. Accordingly, it is important that we establish market recognition for our brands in order to be able to continue to be a material participant in the large markets that we are addressing. To date, we have utilized various marketing and promotional programs and have tried to build market recognition both directly for our products and also by tying our products to the well known Code Amber brand that we own. However, we have limited experience conducting marketing campaigns, and we may fail to generate significant interest. We cannot be certain that we will be able to expand our brand and name recognition sufficiently to capitalize on the market acceptance of our name and brand.

We may encounter manufacturing or assembly problems for our products, which would adversely affect our results of operations and financial condition.

To date, we have only manufactured a limited number of products. In addition, we are continually redesigning and enhancing our products and we are designing new products based on that technology that we hope to manufacture and market in the near future. The manufacture and assembly of our products involves complex and precise processes, some of which have subcontracted to other companies and consultants. To date, we have manufactured a limited quantity of products and so we do not yet know whether we will encounter any serious problems in the production of larger quantities of our existing or new products. Any significant problems in manufacturing, assembling or testing our products could delay the sales of our products and have an adverse impact on our business and prospects. The willingness of manufacturers to make the product, or lack of availability of manufacturing capacity, may have an adverse impact on the availability of our products and on our ability sell our products. Manufacturing difficulties will harm our ability to compete and adversely affect our results of operations and financial condition, and may hinder our ability to grow our business as we expect.

We currently depend upon one manufacturer for some of the components of our principal products, and if we encounter problems with this manufacturer there is no assurance that we could obtain products from other manufacturers without significant disruptions to our business.

We expect that most of the components and subassemblies of our products will be initially manufactured for us by only one manufacturer. Although we could arrange for other manufacturers to supply these components and subassemblies, there is no assurance that we could do so without undue cost, expense and delay. If our sole manufacturers are unable to provide us with adequate supplies of high-quality components on a timely and cost-efficient basis, our operations will be disrupted and our net revenue and profitability will suffer. Moreover, if those manufacturers cannot consistently produce high-quality products that are free of defects, we may experience a high rate of product returns, which would also reduce our profitability and may harm our reputation and brand. Although we believe that we could locate alternate contract manufacturers, our operations would be impacted until alternate manufacturers are found.

Our markets are highly competitive, and our failure to compete successfully would limit our ability to sell our products, attract and retain customers and grow our business.

Competition in the wireless location services market in the U.S. and abroad is intense. Since we initially introduced our LOCiMOBILE® location Apps for use on the iPhone, Blackberry, Android and other smartphones, a number of other Apps have been introduced and are now available on the same systems as our products. As a result there is intense competition from these other Apps that provide competitive features and are often available free of charge. In addition, the adoption of new technology in the communications industry likely will intensify the competition for our other wireless location technologies. The wireless location services market has historically been dominated by large companies, such as Siemens AG, AT&T and LoJack Corporation. In addition, a number of other companies such as Trimble Navigation, Zoomback, Verizon, FireFly, Disney, Mattel, Digital Angel Corporation, Location-Based Technologies, Inc. and WebTech Wireless Inc. either have announced plans for new products or have commenced selling products that are similar to our wireless location products, and new competitors are emerging both in the U.S. and abroad to compete with our wireless location services products. Due to the rapidly evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets, thereby further intensifying competition, adversely affecting our sales, and adversely affecting our business and prospects.

We expect to rely heavily on a few licensees of our technology. The loss of, or a significant reduction in, orders from these major customers could have a material adverse effect on our financial condition and results of operations.

Our current business model assumes that GTX California will license its technologies to companies who will incorporate our technologies into products that they manufacture and market. Therefore, our revenues in the next several years could be heavily dependent on licenses that we may grant to a limited number of major customers in a few business segments. Accordingly, the loss of, or a significant reduction in, orders from these major customers could have a material adverse effect on our financial condition and results of operations.

We may not be successful in developing our new products and services.

The market for telecommunications based products and services is characterized by rapid technological change, changing customer needs, frequent new product introductions and evolving industry standards. These market characteristics are exacerbated by the emerging nature of this market and the fact that many companies are expected to introduce continually new and innovative products and services. Our success will depend partially on our ability to introduce new products, services and technologies continually and on a timely basis and to continue to improve the performance, features and reliability of our products and services in response to both evolving demands of prospective customers and competitive products.

There can be no assurance that any of our new or proposed products or services will maintain the market acceptance already established. Our failure to design, develop, test, market and introduce new and enhanced products, technologies and services successfully so as to achieve market acceptance could have a material adverse effect upon our business, operating results and financial condition.

There can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction or marketing of new or enhanced products and services, or that our new products and services will adequately satisfy the requirements of prospective customers and achieve significant acceptance by those customers. Because of certain market characteristics, including technological change, changing customer needs, frequent new product and service introductions and evolving industry standards, the continued introduction of new products and services is critical. Delays in the introduction of new products and services may result in customer dissatisfaction and may delay or cause a loss of revenue. There can be no assurance that we will be successful in developing new products or services or improving existing products and services that respond to technological changes or evolving industry standards.

Additionally, there can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of new or improved products and services, or that our new products and services will adequately satisfy the requirements of prospective customers and achieve acceptance by those customers. In addition, new or enhanced products and services introduced by us may contain undetected errors that require significant design modifications. This could result in a loss of customer confidence which could adversely affect the use of our products, which in turn, could have a material adverse effect upon our business, results of operations or financial condition. If we are unable to develop and introduce new or improved products or services in a timely manner in response to changing market conditions or customer requirements, our business, operating results and financial condition will be materially adversely affected.

Our software products are complex and may contain unknown defects that could result in numerous adverse consequences, resulting in costly litigation or diverting management's attention and resources.

Complex software products such as those associated with our products often contain latent errors or defects, particularly when first introduced, or when new versions or enhancements are released. We have experienced and

addressed errors and defects in the software associated with our products, but do not believe these errors will have a material negative effect in the future on the functionality of the products. However, there can be no assurance that, despite testing, additional defects and errors will not be found in the current version, or in any new versions or enhancements of this software or any of our products, any of which could result in damage to our reputation, the loss of sales, a diversion of our product development resources, and/or a delay in market acceptance, and thereby materially adversely affecting our business, operating results and financial condition. Furthermore, there can be no assurance that our products will meet all of the expectations and demands of our customers. The failure of our products to perform to customer expectations could give rise to warranty claims. Any of these claims, even if not meritorious, could result in costly litigation or divert management's attention and resources. Any product liability insurance that we may carry could be insufficient to protect us from all liability that may be imposed under any asserted claims.

We have only recently transitioned from being a research and development company to an operating company, making it difficult to evaluate our future prospects and results of operations.

Although GTX California was formed in 2002, until recently it was dedicated to the research and development of our products and platform. Also, since the end of 2009, we have dedicated a significant amount of our resources and energies to the development and release of our LOCiMOBILE® applications. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving industries. Some of these risks and uncertainties relate to our ability to:

- offer new and innovative products to attract and retain a larger customer base;
- increase awareness of our brand and continue to develop user and customer loyalty;
 - respond to competitive market conditions;
 - manage risks associated with intellectual property rights;
 - maintain effective control of our costs and expenses;
 - raise sufficient capital to sustain and expand our business;
 - attract, retain and motivate qualified personnel; and
- upgrade our technology to support additional research and development of new products.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected.

Our sales are uncertain and we can expect fluctuations in revenues and expenses.

We have had only sporadic and relatively minor sales. We filled our first purchase order in September 2008 with the delivery of approximately 900 GPS units and we filled various purchase orders in 2009 for a total of approximately 550 gpVector2 micro LOCi devices. Although we shipped 3,000 location devices for footwear to Aetrex in August/September 2011, our prior sales were relatively minor. The amount and timing of additional revenues under the Aetrex licensing agreement will depend on the success of the sales of these 3,000 units, which currently is still unknown. In addition, we are a party to a number of product development and test agreements pursuant to which we and our customers are developing and testing products for release in 2012 in various markets and territories. If these tests are successfully completed, we will, from time to time, receive payments under these agreements. The amount of revenues we receive, if any, from the licensing agreements will fluctuate and depend on our customer's ability to sell the products that contain our technology. Accordingly, it is uncertain if and when we will receive future orders from our current and potential future customers. Our sales will continue to be uncertain and we expect fluctuation in revenues and expenses until we commercially scale our existing contracts, enter into other license agreements that provide us with regular royalties or subscription revenues, or our LOCiMOBILE® applications are continually downloaded by a significant number of users who pay our download fees.

Our expense levels in the future will be based, in large part, on our expectations regarding future revenue, and as a result net income/loss for any quarterly period in which material orders are delayed could vary significantly. In addition, our costs and expenses may vary from period to period because of a variety of factors, including our research and development costs, our introduction of new products and services, cost increases from third-party service providers or product manufacturers, production interruptions, changes in marketing and sales expenditures, and competitive pricing pressures.

Fluctuations in operating results could adversely affect the market price of our common stock.

Because our revenues and costs may fluctuate significantly, investors should not rely on quarter-to-quarter comparisons of our results of operations or any pro forma financial information that may be released as an indication of future performance. It is possible that, in future periods, results of operations will differ from the estimates of public market analysts and investors. Such a discrepancy could cause the market price of our common stock to decline significantly.

There are risks of international sales and operations.

We anticipate that a substantial portion of our future revenue from the sale of our products and services may be derived from customers located outside the United States. As such, a portion of our sales and operations could be subject to tariffs and other import-export barriers, currency exchange risks and exchange controls, foreign product standards, potentially adverse tax consequences longer payment cycles, problems in collecting accounts receivable, political instability, and difficulties in staffing and managing foreign operations. Although we intend to monitor our exposure to currency fluctuations, there can be no assurance that exchange rate fluctuations will not have an adverse effect on our results of operations or financial condition. In the future, we could be required to sell our products and services in other currencies, which would make the management of currency fluctuations more difficult and expose our business to greater risks in this regard.

Our products may be subject to numerous foreign government standards and regulations that are continually being amended. Although we will endeavor to satisfy foreign technical and regulatory standards, there can be no assurance that we will be able to comply with foreign government standards and regulations, or changes thereto, or that it will be cost effective for us to redesign our products to comply with such standards or regulations. Our inability to design or redesign products to comply with foreign standards could have a material adverse effect on our business, financial condition and results of operations.

Because of the global nature of the telecommunications business, it is possible that the governments of other states and foreign countries might attempt to regulate our transmissions or prosecute us for violations of their laws. There can be no assurance that violations of local laws will not be alleged by state or foreign governments, that we might not unintentionally violate such law, or that such laws will not be modified, or new laws enacted, in the future.

Any of the foregoing factors could have a material adverse effect on our business, results of operations, and financial condition.

If we fail to develop and maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, our current and potential stockholders could lose confidence in our financial reports, which could harm our business and the trading price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and, depending on our future growth, may require our independent registered public accounting firm to annually attest to our evaluation, as well as issue their own opinion on our internal controls over financial reporting. The process of implementing and maintaining proper internal controls and complying with Section 404 is expensive and time consuming. We cannot be certain that the measures we will undertake will ensure that we will maintain adequate controls over our financial processes and reporting in the future. Furthermore, if we are able to rapidly grow our business, the internal controls that we will need will become more complex, and significantly more resources will be required to ensure our internal controls remain effective. Failure to implement required controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our auditors discover a material weakness in our internal controls, the disclosure of that fact, even if the weakness is quickly remedied, could diminish investors' confidence in our financial statements and harm our stock price. In addition, non-compliance with Section 404 could subject us to a variety of administrative sanctions, including the suspension of trading, ineligibility for future listing on one of the Nasdaq Stock Markets or national securities exchanges, and the inability of registered broker-dealers to make a market in our common stock, which may reduce our stock price.

We may suffer from product liability claims.

Faulty operation of our products may result in product liability claims brought against us. Regardless of the merit or eventual outcome, product liability claims may materially adversely affect our business and further result in:

- decreased demand for our products or withdrawal of the products from the market;
- injury to our reputation and significant media attention;
- costs of litigation; and
- substantial monetary awards to plaintiffs.

We have purchased annual product liability insurance with liability limits of \$1,000,000 per occurrence and \$2,000,000 in the aggregate. This coverage may not be sufficient to fully protect us against product liability claims. We intend to expand our product liability insurance coverage as sales of our products expand. Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against product liability claims could prevent or limit the commercialization of our products and expose us to liability in excess of our coverage.

Our ability to compete could be jeopardized and our business seriously compromised if we are unable to protect ourselves from third-party challenges or infringement of the proprietary aspects of the wireless location products and technology we develop.

Our products utilize a variety of proprietary rights that are critical to our competitive position. Because the technology and intellectual property associated with our wireless location products are evolving and rapidly changing, our current intellectual property rights may not adequately protect us in the future. We rely on a combination of patent, copyright, trademark and trade secret laws and contractual restrictions to protect the intellectual property utilized in our products. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and

use our products or technology. In addition, monitoring unauthorized use of our products is difficult and we cannot be certain the steps we have taken will prevent unauthorized use of our technology. Also, it is possible that no additional patents or trademarks will be issued from our currently pending or future patent or trademark applications. Because legal standards relating to the validity, enforceability and scope of protection of patent and intellectual property rights are uncertain and still evolving, the future viability or value of our intellectual property rights is uncertain. Moreover, effective patent, trademark, copyright and trade secret protection may not be available in some countries in which we distribute or anticipate distributing our products. Furthermore, our competitors may independently develop similar technologies that limit the value of our intellectual property, design or patents. In addition, third parties may at some point claim certain aspects of our business infringe their intellectual property rights. While we are not currently subject to nor aware of any such claim, any future claim (with or without merit) could result in one or more of the following:

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- Significant litigation costs;
- Diversion of resources, including the attention of management;
- Our agreement to pay certain royalty and/or licensing fees;
- Cause us to redesign those products that use such technology; or
- Cessation of our rights to use, market, or distribute such technology.

Any of these developments could materially and adversely affect our business, results of operations and financial condition. In the future, we may also need to file lawsuits to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. Whether successful or unsuccessful, such litigation could result in substantial costs and diversion of resources. Such costs and diversion could materially and adversely affect our business, results of operations and financial condition.

We depend on our key personnel to manage our business effectively in a rapidly changing market. If we are unable to retain our key employees, our business, financial condition and results of operations could be harmed.

Our future success depends to a significant degree on the skills, efforts and continued services of our executive officers and other key engineering, manufacturing, operations, sales, marketing and support personnel. If we were to lose the services of one or more of our key executive officers or other key engineering, manufacturing, operations, sales, marketing and support personnel, we may not be able to grow our business as we expect, and our ability to compete could be harmed, adversely affecting our business and prospects.

Our products depend on continued availability of GPS and cellular wireless telecommunications systems.

Our products use existing GPS and cellular wireless telecommunications systems to identify the position of our products. Any temporary or permanent change in the availability of these systems, or any material change in the existing infrastructure and our ability to access those systems, would materially and adversely affect our business, operating results and financial condition may be materially and adversely affected.

Rapid technological change in our market and/or changes in customer requirements could cause our products to become obsolete or require us to redesign our products, which would have a material adverse affect on our business, operating results and financial condition.

The market for our products is characterized by rapid technological change, frequent new product introductions and enhancements, uncertain product life cycles, changing customer demands and evolving industry standards, any of which can render existing products obsolete. We believe that our future success will depend in large part on our ability to develop new and effective products in a timely manner and on a cost effective basis. As a result of the complexities inherent in our products, major new products and product enhancements can require long development and testing periods, which may result in significant delays in the general availability of new releases or significant problems in the implementation of new releases. In addition, if we or our competitors announce or introduce new products our current or future customers may defer or cancel purchases of our products, which could materially adversely affect our business, operating results and financial condition. Our failure to develop successfully, on a timely and cost effective basis, new products or new product enhancements that respond to technological change, evolving industry standards or customer requirements would have a material adverse affect on our business, operating results and financial condition.

Changes in the government regulation of our wireless location products or wireless carriers could harm our business.

Our products, wireless carriers and other components of the communications industry are subject to domestic government regulation by the Federal Communications Commission (the "FCC") and international regulatory bodies. If we are unable to satisfy all of the regulations of the FCC or any other regulatory body, we could be prevented from releasing one or more of our products, which could materially and adversely affect our future revenues. In addition, any delay in obtaining FCC and other regulatory approval could likewise have a negative impact on our business and on our relationships with our customers. These regulatory bodies could enact regulations that affect our products or the service providers which distribute our products, such as limiting the scope of the service providers' market, capping fees for services provided by them or imposing communication technology standards which impact our products. Changes in these regulations could affect our products and, thereby, adversely affect our business and operations.

Future acquisitions or strategic investments may not be successful and may harm our operating results.

As part of our strategy, we have acquired or established smaller businesses, and we may do so in the future. For example, in the past two years we established our LOCiMOBILE, Inc. subsidiary and purchased our Code Amber News Service, Inc. subsidiary. Future acquisitions or strategic investments could have a material adverse effect on our business and operating results because of:

- The assumption of unknown liabilities, including employee obligations. Although we normally conduct extensive legal and accounting due diligence in connection with our acquisitions, there are many liabilities that cannot be discovered, and which liabilities could be material.
- We may become subject to significant expenses related to bringing the financial, accounting and internal control procedures of the acquired business into compliance with U.S. GAAP financial accounting standards and the Sarbanes Oxley Act of 2002.
- Our operating results could be impaired as a result of restructuring or impairment charges related to amortization expenses associated with intangible assets.
- We could experience significant difficulties in successfully integrating any acquired operations, technologies, customers' products and businesses with our existing operations.
 - Future acquisitions could divert substantial capital and our management's attention.
- We may not be able to hire the key employees necessary to manage or staff the acquired enterprise operations.

Our executive officers and directors have the ability to significantly influence matters submitted to our stockholders for approval.

As of September 30, 2011 our executive officers and directors, in the aggregate, beneficially own shares representing approximately 19.18% of our common stock. Beneficial ownership includes shares over which an individual or entity has investment or voting power and includes shares that could be issued upon the exercise of options and warrants within 60 days after the date of determination. On matters submitted to our stockholders for approval, holders of our common stock are entitled to one vote per share. If our executive officers and directors choose to act together, they would have significant influence over all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these individuals, if they chose to act together, would have significant influence on the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

Failure to manage growth effectively could adversely affect our business, results of operations and financial condition.

The success of our future operating activities will depend upon our ability to expand our support system to meet the demands of our growing business. Any failure by our management to effectively anticipate, implement, and manage changes required to sustain our growth would have a material adverse effect on our business, financial condition, and results of operations. We cannot assure you that we will be able to successfully operate acquired businesses, become profitable in the future, or effectively manage any other change.

RISKS RELATED TO AN INVESTMENT IN OUR SECURITIES

We are registering the resale of a maximum of 11,670,000 shares of common stock. The resale of such shares by the Selling Shareholders could depress the market price of our common stock.

We are registering the resale of a maximum of 11,670,000 shares of common stock under the registration statement of which this prospectus forms a part. The sale of these shares into the public market by the Selling Shareholders could depress the market price of our common stock. As of September 30, 2011, there were 69,664,762 shares of our common stock issued and outstanding.

In December 2009, we registered the resale of a maximum of 12,000,000 shares of common stock which may be issued to Dutchess under the Equity Line. The resale of such shares by Dutchess could depress the market price of our common stock.

In December 2009, we registered for public resale a maximum of 12,000,000 shares of common stock with the SEC. We may issue up to that number of shares to Dutchess pursuant to the Equity Line during the three year term of the Investment Agreement. The resale of these shares into the public market by Dutchess could depress the market price of our common stock. As of September 30, 2011, we had sold approximately 7.3 million shares of common stock to Dutchess and we had 69,664,762 shares of our common stock issued and outstanding.

Existing stockholders could experience substantial dilution upon the issuance of common stock pursuant to the Equity Line.

Our Equity Line with Dutchess contemplates our issuance of up to 12,000,000 shares of our common stock to Dutchess, subject to certain restrictions and obligations. If the terms and conditions of the Equity Line are satisfied, and we choose to exercise our put rights to the fullest extent permitted and sell 12,000,000 shares of our common stock to Dutchess, our existing stockholders' ownership will be diluted by such sales.

Dutchess will pay less than the then-prevailing market price for our common stock under the Equity Line.

The common stock issued to Dutchess pursuant to the Investment Agreement will be purchased at a 6% discount to the lowest daily volume weighted average price (VWAP) of our common stock during the five consecutive trading day period beginning on the trading day immediately following the date of delivery of a put notice by us to Dutchess, subject to certain exceptions. Dutchess has a financial incentive to sell our common stock upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If Dutchess sells the shares, the price of our common stock could decrease.

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We may not be able to access sufficient funds under the Equity Line when needed.

Our ability to put shares to Dutchess and obtain funds under the Equity Line is limited by the terms and conditions in the Investment Agreement, including restrictions on when we may exercise our put rights, restrictions on the amount we may put to Dutchess at any one time, which is determined in part by the trading volume of our common stock, and a limitation on Dutchess' obligation to purchase if such purchase would result in Dutchess beneficially owning more than 4.99% of our common stock. Accordingly, the Equity Line may not be available to satisfy all of our funding needs.

Our common stock is thinly traded and the price of our common stock may be negatively impacted by factors that are unrelated to our operations.

Our common stock is currently quoted on the OTC Bulletin Board. Trading of our stock through the OTC Bulletin Board is frequently thin and highly volatile. The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our business objectives, the results of our clinical trials, trading volume in our common stock, changes in general conditions in the economy and the financial markets, or other developments which affect us or our industry. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

When we issue additional shares in the future, it will likely result in the dilution of our existing stockholders.

Our certificate of incorporation authorizes the issuance of up to 2,071,000,000 shares of common stock with a \$0.001 par value and 10,000,000 preferred shares with a par value of \$0.001, of which 69,664,762 common shares were issued and outstanding as of September 30, 2011. From time to time we may increase the number of shares available for issuance in connection with our equity compensation plans. Our board of directors may fix and determine the designations, rights, preferences or other variations of each class or series within each class of preferred stock and may choose to issue some or all of such shares to provide additional financing or acquire more businesses in the future.

Moreover, as of September 30, 2011, we had warrants and options to purchase an aggregate of 9,668,830 shares of our common stock, the exercise of which would further increase the number of outstanding shares. The issuance of any shares for acquisition, licensing or financing efforts, upon conversion of any preferred stock or exercise of warrants and options, pursuant to our equity compensation plans, or otherwise may result in a reduction of the book value and market price of the outstanding shares of our common stock. If we issue any such additional shares, such issuance will cause a reduction in the proportionate ownership and voting power of all current stockholders.

Financial Industry Regulatory Authority (FINRA) sales practice requirements may also limit a stockholder's ability to buy and sell our common stock.

The Financial Industry Regulatory Authority ("FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

We have never paid dividends on our common stock and do not anticipate paying any in the foreseeable future.

We have never declared or paid a cash dividend on our common stock and we do not expect to pay cash dividends in the foreseeable future. If we do have available cash, we intend to use it to grow our business. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at that time. In addition, our ability to pay dividends on our common stock may be limited by Nevada corporate law. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment. Investors seeking cash dividends should not purchase our common stock.

The elimination of monetary liability against our directors, officers and employees under Nevada law and the existence of indemnification rights to our directors, officers and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.

Our Amended and Restated Bylaws contain specific provisions that eliminate the liability of our directors for monetary damages to our company and stockholders, and permit indemnification of our directors and officers to the extent provided by Nevada law. We may also have contractual indemnification obligations under our employment agreements with our officers. The foregoing indemnification obligations could result in our company incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and resultant costs may also discourage our company from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers even though such actions, if successful, might otherwise benefit our company and stockholders.

Past activities of our company and its affiliates may lead to future liability for our company.

Prior to our acquisition of GTX California in 2008, we engaged in businesses unrelated to our current operations. Although certain previously controlling stockholders of our company are providing certain indemnifications against any loss, liability, claim, damage or expense arising out of or based on any breach of or inaccuracy in any of their representations and warranties made regarding such acquisition, any liabilities relating to such prior business against which we are not completely indemnified may have a material adverse effect on our company.

You may have difficulty selling our shares because they are deemed “penny stocks.”

Our common stock is currently quoted on the OTC Bulletin Board under the symbol “GTXO.” Since our common stock is not listed on a national securities exchange, if the trading price of our common stock remains below \$5.00 per share, trading in our common stock will be subject to the requirements of certain rules promulgated under the Exchange Act, which require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a penny stock (generally, any non-national securities exchange equity security that has a market price of less than \$5.00 per share, subject to certain exceptions). The additional burdens imposed upon broker-dealers could discourage broker-dealers from effecting transactions in our common stock, which could severely limit the market liquidity of the common stock and the ability of holders of the common stock to sell their shares.

Stockholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through pre-arranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the volatility of our share price.

Exchange transactions of the type we completed with GTX California in March of 2008 are often heavily scrutinized by the SEC and we may encounter difficulties or delays in obtaining future regulatory approvals which would negatively impact our financial condition and the value and liquidity of your shares of common stock.

Historically, the SEC and Nasdaq have not generally favored transactions in which a privately-held company merges into, or is acquired by a largely inactive company with publicly traded stock, and there is a significant risk that we may encounter difficulties in obtaining the regulatory approvals necessary to conduct future financing or acquisition transactions, or to eventually achieve a listing of shares on one of the Nasdaq stock markets or other national securities exchanges. On June 29, 2005, the SEC adopted rules dealing with private company mergers into dormant or inactive public companies. As a result, it is likely that we will be scrutinized carefully by the SEC and possibly by FINRA or Nasdaq, which could result in difficulties or delays in achieving SEC clearance of any future registration statements or other SEC filings that we may pursue, in attracting FINRA-member broker-dealers to serve as market-makers in our common stock, or in achieving admission to one of the Nasdaq stock markets or any other national securities market. As a consequence, our financial condition and the value and liquidity of your shares of our common stock may be negatively impacted.

Sales of a substantial number of shares of our common stock into the public market may result in significant downward pressure on the price of our common stock and could affect your ability to realize the current trading price of our common stock.

Sales of a substantial number of shares of our common stock in the public market could cause a reduction in the market price of our common stock. To the extent stockholders sell shares of common stock, the price of our common stock may decrease due to the additional shares of common stock in the market.

Any significant downward pressure on the price of our common stock as stockholders sell their shares could encourage short sales of our common stock. Any such short sales could place further downward pressure on the price of our common stock.

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by the Selling Shareholders, including shares issuable upon the exercise of Warrants by the Selling Shareholders. We will not receive any of the proceeds from the sale of these shares.

We may receive proceeds upon the exercise of the Warrants which, if all such Warrants are exercised in full and in cash, would be \$457,600 (the exercise price of the Warrants may be reduced under certain circumstances which, if the

circumstances occur, would reduce the maximum amount we could receive to \$411,840). The Selling Shareholders are under no obligation to exercise the Warrants. We intend to use all proceeds from exercise of the Warrants for working capital and other general corporate purposes. Our common stock is more fully described in the section of this prospectus entitled "Description of Securities To Be Registered."

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BUSINESS

GTX Corp provides various interrelated and complimentary products and services in the GPS Tracking and Personal Location Services marketplace. We currently conduct our operations through three wholly-owned subsidiaries that operate in related sectors of the personal location-based market.

GTX CALIFORNIA BUSINESS

Our subsidiary Global Trek Xploration (“GTX California”) was incorporated in California on September 10, 2002. From inception in 2002 until the third quarter of 2008, its business was predominantly focused on research and development, creating intellectual property, securing strategic relationships and partnerships, and building category and brand awareness. GTX California developed its business as follows:

- In 2002, GTX California conducted technical feasibility studies and analyzed market data, filed patents and began developing its customizable imbedded technology business model.
- In 2004, GTX California built its first prototypes and began developing partnerships with wireless carriers, contract manufactures and topology partners in order to build out its proof of concepts.
- In 2006 and 2007, GTX California developed pre-production personal location devices, completed the proof of concept website development (i.e., mapping interfaces and back office support), and obtained Federal Communication Commission (“FCC”), Industry Canada (“IC”), and Conformite Europeenne (“CE”) approvals.
- In September 2007, GTX California entered into its first license agreement and in September 2008, GTX California delivered its first commercial order of GPS devices.
- In 2008/2009 GTX California began rolling out additional product lines, for both the business-to-business and the business-to-consumer markets. Also, in 2009 we began the international sale of GPS devices and evaluation kits, we entered into a number of platform test agreements, and we expanded our intellectual property portfolio with the addition of four new approved patents and several additional trademarks.
- In 2010 GTX California, increased revenues, signed two significant licensing agreements (with Aetrex Worldwide and with MNX), added two international distributors, launched its portal in Spanish for the Latin market, received the prestigious People’s Choice award for the most innovative connected device, was granted several new patents, added new portable two way GPS devices to its product line, reduced the size of the GPS shoe module by 25%, and continued to expand its brand recognition through traditional and social media outreach campaigns.
- In 2011 GTX California began delivering GPS devices on its existing two contracts with Aetrex Worldwide, Inc and MNX, was issued another patent and continued its global expansion through alliances and partnerships.

GTX California has developed and owns a comprehensive, end-to-end scalable and licensable two-way GPS location enterprise platform Unlike a one-way GPS location system (such as the standard automobile GPS systems or personal navigation devices) that informs the user of the users location, a 2-way GPS location system allows other parties to locate and track the whereabouts of the user. The tested and proven two-way GPS location system enables subscribers to obtain accurate, real-time location information of persons or property through our secure, robust consumer and enterprise portal.

GTX California's first hardware product, a miniaturized two-way GPS locator embedded module, the "gpVector™," combines the power of assisted GPS and digital personal communications service ("PCS") technologies. This miniature gpVector™ module can be embedded within lightweight enclosures, such as shoes worn by athletes, children the elderly, etc., collars worn by pets, or containers carrying items whose whereabouts is critical (such as live organ transportation containers).

GTX California provides real-time location and tracking information to customers using GPS devices for both routine and emergency situations through GTX California's 24x7 location data center ("Location Data Center") and Internet infrastructures. Following the purchase of a module and the activation of the service, a subscriber can determine the locations of any person or product that carries the locator module by accessing the Internet either by computer or by a web-enabled cellular telephone.

The Location Data Center tracking portal is fully scalable and has been licensed to several partners both in the U.S. and internationally. It is a secure platform equipped with a database, API for custom integration and communication SMS gateway software and hardware. Subscriber internet communications are routed through GTX California's proprietary, fault-tolerant, carrier-class, and application-specific interface software.

GTX California's GPS devices are essentially enablers of its location service system. We expect that the majority of GTX California's gross margin after subscriber buildup will come from recurring service fee revenues.

GTX California's objective is to be a leading provider of wireless location services through the convergence of state-of-the-art enhanced global positioning, wireless communications and other technologies that empower people and businesses with the ability to locate loved-ones or property whenever and wherever they choose. GTX California's multi-pronged strategy is to penetrate vertical target markets by offering exclusive licenses of our technology to enterprises looking to enhance their brand and product offerings. Potential target markets that GTX California is currently in, or is exploring, include:

- Parents of young children (primarily 4 to 12 years of age) who desire to know the whereabouts of their children;
 - Families with members who have Alzheimer's disease and developmentally challenged adults;
 - Elder care support and applications;
 - Pet care;
 - Field workers, first responders and law enforcement;
 - Military Personnel;
- High value asset tracking and location capability of containers, luggage, and other assets that require monitoring or tracking; and
 - Competitive non-motorized athletes.

GTX California also offers its Location Data Center services to non-GTX California products and hardware systems (i.e. handsets, personal electronics) of major electronics manufacturers as such third-party products and systems become available through the offer and sale of exclusive licenses to either geographical regions or product categories.

Products—Hardware; Location Data Center

GTX California's location based products consist of (i) certain hardware and (ii) a suite of subscription-based internet data-monitoring software and services (tracking portal). Our hardware products include patented, interchangeable GPS satellite tracking and location reporting modules that can be embedded into wearable consumer items (such as footwear, clothes, backpacks, life preservers) or can be integrated into other portable carriers. For example, our module can be embedded into the sole of a shoe to track and report the location of the wearer of the shoe. In addition, we also offer a wearable caddy that houses a miniaturized, ruggedized, portable GPS tracking device enclosed in a buoyant, waterproof, shockproof, clip-on housing. The module can be affixed to, or embedded in other products and items that need to be located, such as trucks, automobiles, delivery vehicles, and high value parcels.

GTX California's data tracking portal consists of its proprietary Location Data Center that provides a complete array of back-end services to subscribers. Upon purchase of a product that contains our GPS devices from a licensee and the subscription by the purchaser of a service plan and activation of service, the subscriber/purchaser can establish his own personal pass code and configure his account services. A subscriber can have more than one product included on his account, and can set up individual profiles for each product.

The subscriber initiates requests for location information on the GPS device through the Internet via the GTX California licensee's web site. The Location Data Center automatically contacts the module via the local cellular communications infrastructure, requesting the module's location. The embedded module utilizes GSM/GPRS technology and transmits its location data on a GSM network. The GTX California locator utilizes quad-band GSM technology.

The module's GPS electronics, utilizing advanced "weak signal server-enhanced" technology, provides rapid location identification. With this technology, the most current satellite data ("Ephemeris data") is delivered to the module during the request for location. This greatly enhances GPS performance in less-than-ideal circumstances (i.e. urban canyons, deep building interiors, tunnels and other difficult areas), enabling the product to get a location from GPS satellites ten times faster than with standard GPS (10 seconds versus 100 seconds). The cellular tower information is also used to augment the location information provided.

Having determined its location, the module then communicates the location information to the Location Data Center. The location information is then passed to the subscriber via the Internet (with a map and closest street address). In most cases, the entire process takes less than 30 seconds. A copy of the event is stored in the customer's files. The Location Data Centers use GTX California's proprietary application-specific interface "thin-client" software (patent pending) equipment that is connected to existing telephone and Internet infrastructures.

The accuracy of the location information provided by GTX California's products is within 37 feet in optimum conditions, which is significantly better than that required by the FCC (150 feet).

In addition to these basic location reporting capabilities, our GPS devices and location tracking services also offers several additional features and capabilities to our subscribers, including:

Bread-crumbing. The subscriber is able to get a report on a series of location events through "bread-crumbing". With this feature, the user can see the location history mapping the route of the user with the exact location of the user noted at various times based on whatever reporting interval is selected (30-seconds, 1 minute, etc.). Parents may want to use this feature to confirm the whereabouts of their child if he or she is in the care of a guardian and has several appointments throughout the day. To utilize this feature, the subscriber predetermines the number of locations he or she wishes to track, as well as the desired time interval between locations (i.e. identify a total of 12 locations, once every 15 minutes). Once all locations are identified, a report will be automatically issued. The subscriber can then

request a mapping of the desired locations.

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Temporary Guardians. Through the Location Data Center, subscribers can set-up a “temporary guardian” which will have access to location features only (no account management functions). Parents may want to use this feature when their child is visiting a relative and they want that person to be able to determine the child's location.

GeoFencings. Subscribers can establish geographic limits for each user that will be programmed in place through the Internet access provided by the licensee to their customers. Once these limits have been programmed into the account, when the user crosses these boundaries, alerts are sent out to the subscriber over the Internet through email or to a wireless cellular device by SMS or text messaging.

Technology

The current product design utilizes quad-band GSM telephony chip sets and can be adapted in the future to the then-prevalent wireless technology, be it 2.5G or 3G. Our module's GPS electronics, utilizing advanced “weak signal server-enhanced” technology will provide rapid location identification.

Each module is programmed with a unique identification number and uses standard cellular frequencies to communicate its location. The module is also programmed with a unique subscriber identification number allowing each owner to subscribe different services.

GTX California has developed a “carrier-class” architecture and facility to create and manage the proprietary Location Data Center (reliable to 99.999%). The local service center runs on redundant off-the-shelf servers. This enables cost-efficient expansion, without the need for application code changes.

The products are supported by a wide network coverage throughout the United States, Canada, Mexico and numerous other countries that operate on the global GSM Wireless networks. In addition, the personal locators will have the ability to roam seamlessly on the networks of 290 partners in over 210 countries.

Multiple Applications

GTX California's planned GPS Personal Locator licenses are targeted to address multiple major markets, including tracking or locating adults with Alzheimer's disease, automotive/commercial/payloads, children, pets, institutional living, life science assets, and athletics.

Adults. We believe the demographic segments offering the greatest opportunities are Alzheimer's patients, seniors (65+ years of age), and active adults and teens. A primary application is for "active adults": those who participate in outdoor recreational activities (such as jogging, hiking and camping) that could put them at risk of getting lost, being injured or becoming a victim to a violent crime. Other potential users include Alzheimer's patients and developmentally challenged adults. We believe caregivers of these people would be very interested in using the location service during an emergency situation, as a combination location service/notification to law enforcement when a crime is in process where a subscriber is the victim, and simply as a means of communicating one's location to a friend or a loved-one.

Children. Due to the emotional nature of the benefit GTX California is offering, we view this segment as having a big market potential. The GPS Personal Locator license for children will target prospective licensees currently marketing their existing products to dual-income and single parents of 4-12 year old children. At the lower end of this age range, children are starting to gain more independence from their parents and are more likely to be "out of the parent's sight" for a variety of reasons (such as day care, school, playing with friends, and field trips). We believe that both parent and child interest in the product would level off after age 12, when a child's range of freedom and desire for privacy increases dramatically. The service is positioned as "complementary" to parent supervision, not a replacement for it.

This market is especially significant in Latin America due to the growing numbers of kidnapping and abductions for ransom.

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Pet Owners. This market segment would utilize GTX California's technology to locate pets that have run away, been stolen or become lost. The pet collar device can be attached to a collar or by similar means and will utilize the same location (GPS) and communication (cellular) technologies as the GPS Personal Locator; however, since it will not need many of the added features (such as watch display, paging, and wearer-triggered alarm), we anticipate that GTX California will be able to produce it at a lower unit cost.

Institutional Living. Current technologies used to monitor individuals with movement-restrictions often do not meet the needs of law enforcement officials. For example, house arrest systems that utilize an "RF tether" to monitor an individual's presence in his or her home will alert officials if the person leaves the house, but will not provide information on where the person has gone. We believe the increase in overcrowding in jails and prisons provides a further incentive to utilize location and tracking products.

Life Science, Medical and Pharmaceutical Transportation. The amount of important and/or time sensitive medical, life science and pharmaceutical products being transported appears to be on the rise, increasing the need to connect globally outsourced service providers with medical and clinical research facilities. We believe that there is an increasing desire to be able to track these important medical, life science and pharmaceutical products.

Strategic Relationships and Licensing Arrangements

The goal of GTX California is to offer location based hardware and/or its data monitoring platform to third parties for the sale and distribution of location based products/services in various targeted vertical markets within specific geographic territories. We begin the process by entering a platform test agreement with a potential partner with the intent to transition into a long term relationship. By establishing and building partnerships, both domestic and international, through licensing agreements, OEM, and carrier relationships, utilizing GTX California's technologies we facilitate efficient entry into new markets leveraging each company's core competencies. We enhance the value of our distribution channels by aligning our sales and marketing efforts with strategic partners, including co-branding, distribution and marketing with telecommunication companies, wireless carriers, national retailers and major consumer branded companies.

We have entered into seven platform test agreements for the release of consumer and enterprise products using our GPS tracking technology. Pursuant to each of these agreements, GTX California and our potential licensees have agreed to jointly complete the development and testing of one or more products, our middleware, connectivity gateway and viewing portal that will, upon the successful completion of the testing, be licensed to the licensees for commercialization within a defined territory and/or product category. Assuming that the development and testing of these products is successful, we could receive additional licensing fees and other revenues under these agreements in 2011. The seven agreements consist of the following:

- In May 2009, we entered into a platform test agreement with Aetrex Worldwide, Inc., a global leader in pedorthic footwear and foot orthotics, under which the companies agreed to collaborate on the development and mechanical engineering of GTX Corp's patented PLS two-way transceivers and software systems to monitor the locations of "wandering" seniors afflicted with dementia by embedding its technology in Aetrex footwear. We successfully completed the testing in March 2010 and entered into a four year License Agreement with Aetrex Worldwide, Inc. under which we granted Aetrex the right to embed our GPS tracking device into certain footwear products manufactured and sold by Aetrex, and offer our middleware platform and viewing portal for Aetrex to deliver a complete end-to-end tracking and monitoring solution to the customers purchasing the GPS enabled shoes. Aetrex has certain exclusive and non-exclusive rights under this agreement. In order to retain its exclusive rights, Aetrex must purchase 156,000 devices from us over the four-year period commencing on the date that we ship to Aetrex the first production order of devices as follows: 6,000 GPS tracking devices in the first year, 25,000 devices during the second year, 50,000 during the third year, and 75,000 devices during the fourth year. Aetrex has issued its

first purchase order for 3,000 devices, which we shipped to Aetrex in August/September 2011. The end-users of the GPS enabled Aetrex shoes will be required to pay us a monthly service fee, a portion of which will be shared with Aetrex. The Aetrex shoe is scheduled to be released for commercial sale by Aetrex in the fourth quarter of 2011.

- In September 2009, we entered into a binding exclusive platform test agreement with G Force Systems & Technologies (formerly Kalika Group), one of Nepal's largest and most respected business conglomerates, for the deployment of this company's proprietary GPS technologies and product line into Nepal, India, Pakistan, Bangladesh, Sri Lanka, Maldives and Bhutan – a marketplace comprising of an emerging, dynamic economy with a combined population of over 1.5 billion. Upon completion of the platform test, G Force acquired 25 each of the miniaturized micro LOCi, the GTX AVL and the Mini MT and, upon entering into a Master Portal Agreement with the Company in August 2010, G Force began to commercially deploy our platform and sell multiple devices within their respective markets.
- In October 2009, we entered into an exclusive product test agreement with Midnite Air Corp D/B/A MNX to develop an industry first, proprietary GPS enabled transport container. MNX is a worldwide provider of specialty critical and security sensitive global transportation and logistics services. MNX has successfully concluded various tests throughout the globe including Great Britain, Australia and China. We successfully completed the testing in May 2010 and entered into a three year License Agreement with MNX under which we granted MNX the right to embed our GPS tracking device into certain freight/cargo used by MNX to transport vital organs and certain other high valued assets. MNX will also use our middleware platform and viewing portal as its complete end-to-end tracking and monitoring solution for tracking the vital organs and other high valued assets that they transport. In order to retain exclusive rights, MNX must purchase a minimum of 15,000 devices over the three year term at 5,000 per year and activate each device with a monthly monitoring subscription. Each device shipped will automatically be activated within 90 days of receipt with a monthly data monitoring and connectivity subscription fee. We have completed the integration process between the GTX tracking platform and the MNX backend customer service portal, delivered 40 devices to MNX and activated the monthly monitoring as of September 29, 2011. MNX must purchase an additional 4,960 devices before May 3, 2012 in order to retain their exclusive rights.
- In February of 2010 we entered into a platform test agreement with Map My Fitness LLC and after several months of successful testing we determined we could not develop a mutually beneficial and profitable business model.
 - In July of 2010 we entered into a platform test agreements, with Alzheimer's Disease and Related Disorders Association, Inc. (dba Alzheimer Association) to test our patented GPS Smart Shoe and middleware platform. We successfully completed the first phase of technical testing and have begun outlining the business terms for AA.org to participate in the sales and support of the GPS-enabled shoes.
- In July of 2010 we entered into a platform test agreement with B Cycle LLC. We successfully completed the first round of testing and determined based on the specific requirements of B Cycle that we would extend the testing to explore other power options such as solar and kinetic.
- In March 2011, we entered into a platform test agreement with Wuhan Amass Trading Co., Ltd. to develop, engineer and test our two-way transceivers and software systems in shoes throughout China. Upon the satisfactory completion of the platform test, we expect to grant Wuhan Amass Trading Co., Ltd. a license to embed and sell our location tracking devices in footwear throughout China.

The Aetrex, MNX and G Force platform tests transitioned into definitive licensing agreements. Aetrex was the first to transition:

On March 18, 2010, GTX California entered into a license agreement with Aetrex Worldwide, Inc. under which we granted Aetrex the right to embed our GPS tracking device into certain footwear products manufactured and sold by Aetrex (the "License Agreement"). Aetrex is a global leader in pedorthic footwear and foot orthotics, and the new product to be introduced is intended to monitor the locations of "wandering" seniors afflicted with dementia by embedding our patented location technology in Aetrex footwear.

Under the License Agreement, we granted Aetrex certain exclusive and non-exclusive rights to (i) embed our portable GPS tracking system device into footwear, and (ii) manufacture, sell and distribute in the "Territory" certain footwear containing the GPS tracking system device. Aetrex was granted (a) the exclusive rights to embed our GPS tracking devices into all adult (male and female) footwear and into insoles, and (b) the non-exclusive rights to embed the tracking devices into athletic footwear and military footwear. The "Territory" consists of the following: Aetrex has the exclusive rights to North America (USA, Canada, Mexico), the Middle East (Turkey, Qatar, Saudi Arabia, UAE, Iraq, Israel, Jordan, Cyprus, and Egypt), the European Union, Australia, New Zealand, Japan, and Greece, and the non-exclusive rights to all other countries. To the extent that Aetrex is required to possess a license to any of our patent rights and know-how that are included in the GPS tracking devices for the purpose of commercializing Aetrex's footwear products, we also granted Aetrex a license to our patent rights and know-how for this limited purpose.

The rights granted to Aetrex under the License Agreement will remain in effect for four years, commencing on the date that we ship the first GPS tracking device to Aetrex for use in Aetrex's footwear. Aetrex has agreed to purchase a substantial number of GPS tracking devices from GTX California for use with certain of its footwear products. In order to retain its exclusive rights, Aetrex has agreed to purchase 6,000 GPS tracking devices from us during the first year of the four-year period, 25,000 devices during the second year, 50,000 during the third year, and 75,000 devices during the fourth year. The agreement will automatically renew for an additional year if Aetrex's annual purchase of the number of the GPS tracking devices in the preceding year was at least one hundred and fifteen percent (115%) of the prior year's minimum purchase requirement.

In order to activate the tracking features of the Aetrex shoes, the user of the shoes will have to purchase a monthly cellular connection plan from GTX California. The Company will be responsible for the cellular/GPS activation, for arranging and providing cellular connection services and for collecting the monthly fees. We will receive and retain the recurring monthly cellular fees received from users of the Aetrex embed tracking footwear, although we have agreed to remit a varying portion of those monthly fees to Aetrex. GTX California will also be solely responsible for the manufacture, production and supply/sale to Aetrex of the licensed GPS tracking devices, and for repairs, replacements, after-service, and warranties pursuant to its product and services warranties.

Intellectual Property Investment

GTX California has invested significantly in intellectual properties, which consist of apparatus patents and applications and system and method patents and applications. GTX California has filed claims that cover all aspects of the personal locator, its operating system and user interface. Set forth below is a list of our patents and pending patent applications.

U.S. Patent Holdings

1. U.S. Patent No. 6,788,200 title: "Footwear With GPS," filed October 21, 2002, issued September 7, 2004, expires approximately October 21, 2022.

2. U.S. Patent No. 7,474,206 title: "Footwear With Embedded Tracking Device And Method Of Manufacture," filed February 6, 2006, issued January 9, 2009, expires approximately July 23, 2027.

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3. U.S. Patent No. RE40,879 title: “Footwear With GPS,” filed July 27, 2006, reissued August 25, 2009, expires approximately October 21, 2022
4. U.S. Patent No. RE41,087 title: “Footwear With GPS,” filed September 6, 2006, reissued January 26, 2010, expires approximately October 21, 2022
5. U.S. Patent No. RE41,102 title: “Footwear With GPS,” filed September 7, 2006, reissued February 9, 2010, expires approximately October 21, 2022
6. U.S. Patent No. RE41,122 title: “Footwear With GPS,” filed August 17, 2006, reissued February 16, 2010, expires approximately October 21, 2022
7. U.S. Patent No. D595,484 title: “Footwear With Antenna,” filed February 7, 2008, issued July 7, 2009, expires approximately July 7, 2023
8. U.S. Patent No. D599,102 title: “Footwear Sole With Antenna,” filed February 7, 2008, issued September 1, 2009, expires approximately September 1, 2023
9. U.S. Patent No. 7,920,559 title: “Footwear With Embedded Tracking Device and Method Of Manufacture,” Issued April 5, 2011, expires approximately February 6, 2026.
10. U.S. Patent Application, Serial No. 11/402,195 title: “Buoyant Tracking Device And Method Of Manufacture,” filed April 11, 2006. Pending
11. U.S. Patent Application, Serial No. 12/012,088 title: “System And Method For Monitoring The Location Of A Tracking Device,” filed January 31, 2008. Pending
12. U.S. Patent Application, Serial No. 12/378,153 title: “System And Method For Processing Location Data,” filed February 11, 2009. Pending
13. U.S. Patent Application, Serial No. is CONFIDENTIAL – Not Published by the USPTO) title: “System And Method For Communication with a Tracking Device,” filed February 9, 2009. Pending
14. U.S. Patent Application, Serial No. 12/228,158 title: “Tracking System With Separated Tracking Device,” filed August 8, 2008. Received Notice of Allowance on September 7, 2011

Foreign Patent Holdings

1. Canadian Patent Application, Serial No. 2,641,469 title: “Footwear With Embedded Tracking Device and Method of Manufacture,” filed August 5, 2008. Pending.
2. Mexican Patent Application, Serial No. MX/A/2008/010160 title: “Footwear With Embedded Tracking Device and Method of Manufacture,” filed August 6, 2008. Pending

As part the ongoing building of our intellectual property portfolio, GTX California owns approximately 42 Internet domain names, www.GTXCorp.com being the primary, as well as the names of other related domains that provide IP protection in current and future business and vertical marketing initiatives. Under current domain name registration practices, no one else can obtain an identical domain name, but someone might obtain a similar name, or the identical name with a different suffix, such as “.org” or with a country designation. The regulation of domain names in the

United States and in foreign countries is subject to change, and we could be unable to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our domain names. The Company has also secured corporate social media accounts, including Facebook, Twitter, LinkedIn and YouTube.

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The Industry

After several years of fitful industry interest, location-based services are once again central to the wireless industry. Technological challenges have been resolved with 2.5G, 3G and 4G network speeds now consistent with higher-speed coverage that is widely available. In our ever-mobile society, it helps to know where we are and where we are going. Many parents desire to have the ability to know where their children are and where they are going. Having such information is now possible with access to real-time information delivered on-demand through locator systems and technologies such as ours.

Since 2002, IDC research has consistently shown very high levels of consumer interest in other location based services – especially in family/friend locator devices. Access, controlled by the parent and permission-based among other adults, gives the parents the means to stay connected to their children as well as the opportunity to use the geofencing technology to control access to particular areas. We believe that the results of this study indicate that there is significant opportunity for GPS manufacturers and marketers throughout multiple industries.

In a recent report, Cisco Systems, Inc. predicted that by 2015 there will be 5.6 billion mobile devices and 1.5 billion separate machine-to-machine nodes. Coincidentally, global mobile data traffic will grow 26 times between 2010 and 2015, to 6.3 exabytes per month (an exabyte is a billion gigabytes), according to the latest report from Cisco's Visual Networking Index Global Mobile Data Traffic Forecast.

ABI Research estimates the industry to reach \$11 billion this year with 300 million worldwide users and growing to \$14 billion by 2014.

The rising need for two-way GPS and location based services is influenced by several factors, among them:

- Ubiquitous awareness and expanding penetration of GPS enabled mobile smartphone & tablets (Estimated 5.5 Billion by 2013)
 - Personal and asset security concerns affecting a greater portion of the population.
- Increasing numbers of elderly or memory impaired. (Alzheimer's, Autism, etc. 6 million in U.S. and growing to 100 million worldwide)
 - Corporations needing to manage worker productivity and logistics.
 - Government agencies, law enforcement and military personnel monitoring.
 - Massive life style adoption of Location Based Social Networking.
 - Proximity Advertising- the new paradigm

Target Markets and Marketing Strategy

We believe that the primary target market for GTX California's products and systems consists of prospective licensees who currently sell related products or technology services to numerous markets including home security, child safety, medical and elder care providers, campers, hikers, backpackers, adventure seekers, extreme sports enthusiasts, freight and cargo carriers, delivery services, pet owners, vehicle finance companies, auto dealerships, law enforcement agencies, military organizations and individuals wishing to track valuable items. In order to address these target markets, our marketing initiatives include:

- Establishing licensing relationships with key industry partners;
- Utilizing social media and public relations outreach in special interest magazines and newsletters;
 - Affinity group marketing and outreach;

- “White label” affiliates which will target niche markets such as the Alzheimer’s Association for seniors afflicted with dementia; and
- Establishing licensing relationships with large partners who sell every-day consumer goods like shoes, helmets, bicycles, etc.

Growth Strategy

Approaching the market place with a B2B and B2C strategy through our three business units, our goal is to become one of the major providers of personal and asset location services to specific niche business channel partners and once we hit critical mass in pricing, to the mass consumer markets. The strategy is to establish licensing relationships with key industry partners who will embed our technology into their products to sell to their established customer base. Key elements of our strategy include:

- Providing our Personal Locator embedded module to licensees to empower their products with two-way GPS tracking capabilities;
- A monthly service fee structure variable as to the needs of the end user and having multiple convenient access points (mobile phone, land line, or via the Internet);
 - Ease of use at the location interface point as well as with the device; and
- Rugged design that meets the rigors of use. Our goal is to utilize our modules in products that are waterproof and can handle weather extremes of heat and cold.

Competition

Personal location and property tracking devices are just beginning to significantly penetrate the marketplace. We believe this condition represents a tremendous opportunity as customers will be attracted in large numbers once the intrinsic value of the device is recognized and mass market adoption begins.

Competitors for our GPS products, and often also for our LOCiMOBILE® smart phone applications, include Location Based Technologies, Inc, Zoombak, Inc., Google Latitude, Foursquare, Loopt, Trimble Navigation, Inc. Brick House Security and SOS Gps, Inc. Our competitors may be better financed, or have greater marketing and scientific resources than we can provide. We are also aware of a number of foreign competitors that offer personal location tracking products similar to ours, which may impact our ability to expand our products abroad. Our smart phone locator apps also compete against a number of other smart phone apps, some of which have features similar to our apps.

In related markets, GPS devices have become widely used for automotive and marine applications where line-of-sight to GPS satellites is not a significant issue. Manufacturers such as Garmin, Navman, Magellan, TomTom, Pharos, NovAtel and DeLorne are finding a market interested in using these products for both business and leisure purposes. Location devices are gaining significant market acceptance and commercialization in part due to the use of GPS technology in devices such as chart plotters, fitness and training devices, fish finders, laptop computers, PDAs, etc. Prices range from less than \$100 to over a thousand dollars for such items. We expect that increasing consumer demand in these markets will drive additional applications and lower price points.

Government Regulation

GTX California is subject to federal, state and local laws and regulations applied to businesses generally as well as FCC, IC and CE wireless device regulations and controls. We believe that GTX California is in conformity with all applicable laws in all relevant jurisdictions. We do not believe that GTX California's operations are subject to any environmental laws and regulations of the United States nor the states in which they operate.

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Research and Development

GTX California shifted from a research and development mode in the third quarter of 2008 with the completion of the athletic locator device. Prototype testing was successfully completed and the first shipment of products was made in September 2008. Additionally, GTX California is working with several other entities that are conducting research on key areas to improve the device (including expanded antennae capability, battery capacity, and enhanced location reliability and accuracy). We anticipate GTX California will continue its ongoing involvement with such improvement activities for the foreseeable future. During the fiscal years ended December 31, 2009 and 2010, we spent \$107,000 and \$68,000, respectively, on research and development. Most of the foregoing research and development expenditures involved the development of new smart phone apps.

Other Location Products

In addition to marketing our own proprietary products, we also market and sell the “gpVector miniMT”, the GTX AVL, the Triton, and the “gpVector2Micro LOCi”, tracking devices that are manufactured by a third party. The gpVector miniMT is a compact, fully certified quad-band integrated device that provides complete GSM/GPRS functionality for mobile tracking applications. The gpVector2 micro LOCi a more compact, fully certified quad-band integrated device that provides complete GSM/GPRS functionality for mobile tracking applications. The GTX AVL is a low cost tracking device and the Triton is a very robust highly specific shipping container monitoring and tracking device. These products are sold under our GTX brand, and they can be branded with other companies’ names. All these devices operate through, and use our middleware platform and viewing portal. These devices can be sold individually or as a complete solution including platform and wireless connectivity providing us with product sales revenues and subsequent recurring monthly service revenues. In addition to hardware device sales, as part of our international expansion plans, we are also licensing our enterprise portal and middleware platform which is contributing to an increase in monthly subscription revenues. The Company currently has four (4) international licensed distributors and anticipates signing on another three this year.

LOCiMobile® BUSINESS

LOCiMobile® has a suite of consumer and enterprise mobile tracking applications, social networking and proximity alerting applications that turn the latest GPS enabled smartphones and tablets into tracking devices and mobile social networking devices capable of being viewed on other handsets or our tracking portal. LO