

GTX CORP  
Form 10-K  
April 14, 2016

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

**FORM 10-K**

(Mark One)

**ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2015

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

Commission File Number 000-53046

**GTX Corp**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State of incorporation)

**98-0493446**  
(I.R.S. Employer Identification No.)

**117 W 9<sup>th</sup> Street; Suite 1214, Los Angeles, CA**  
**90015**

(Address of principal executive offices)

**213-489-3019**

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act:  
Title of each class registered: Name of each exchange on which registered:  
None None

Securities registered under Section 12(g) of the Act:

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Common Stock, Par Value \$0.001

(Title of class)

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

Yes  . No  .

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

Yes  . No  .

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

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

Yes  . No  .

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

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  . Smaller reporting company  .  
(Do not check if a smaller reporting

company)

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

The outstanding number of shares of common stock as of April 14, 2016 was 372,104,874.

Documents incorporated by reference: None

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## **FORWARD LOOKING STATEMENTS**

Information in this report contains forward looking statements which may be identified by the use of forward-looking terminology, such as may, shall, will, could, expect, estimate, anticipate, predict, probable, possible or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives requires the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

## **PART 1**

### **ITEM 1.**

#### **DESCRIPTION OF BUSINESS**

*Unless otherwise noted, the terms "GTX Corp", the "Company", "we", "us", and "our" refer to the ongoing business operations of GTX Corp and our wholly-owned subsidiaries, Global Trek Xploration, and LOCiMOBILE, Inc. During 2014, we owned Code Amber News Service, Inc., a wholly-owned subsidiary that was discontinued in February 2015. Accordingly, unless otherwise specified, references to the "Company", "we", "us", and "our" for periods before February 2015 also refer to, and include Code Amber News Service, Inc.*

#### **OVERVIEW OF THE BUSINESS**

GTX Corp is a holding company that currently owns and operates two subsidiaries engaged in the growing \$17 billion wearable technology business. GTX was founded in 2002, became publicly traded in 2008, and is currently headquartered in Los Angeles, California.

GTX provides a global monitoring platform that answers the *where is* question: such as, where is my mother, child, employee, pet, drone, or high value asset. Through a proprietary IoT ( Internet of Things ) enterprise platform the Company provides a licensing, subscription based recurring revenue business model and offers a complete end to end solution of location based hardware, middleware, apps, connectivity and professional services. Letting you know where or how someone or something is at the touch of a button, delivering security and peace of mind in real-time.

Since the inception of our business, GTX Corp has developed and commercially launched several products, including our most recent GPS and BLE SmartSoles with a hosted and scalable backend monitoring platform and more than 20 smartphone and tablet Apps. The Company has five revenue streams comprising of product sales, recurring subscriptions, licensing, advertising, and professional services. These core products and services are supported by GTX's intellectual property (IP) portfolio of issued patents, licensed patents, patents pending, registered trademarks, copyrights, URLs and a library of proprietary hardware and software.

There are 3 primary market segments we sell our monitoring products and services into, 1) people with cognitive memory disorders, such as Alzheimer's, dementia, autism and traumatic brain injury ( TBI ). Typically, these people have a tendency to wander and require remote oversight. In accordance with the 2014 Alzheimer's disease Facts and Figures, in 2014 there were an estimated 5.2 million people in the United States with Alzheimer's disease and approximately 13.9% of people age 71 and older in the United States have dementia. 2) High Value assets, such as drones, cargo and fleet management. 3) Mobile work force, such as salespersons, journalists, electricians, plumbers, food delivery, law enforcement and a host of other industries that require knowing the whereabouts of an employee in real time.

Our operations are currently conducted through the following two wholly-owned subsidiaries that operate in various interrelated sectors of the emerging Location-Based wearable technology market.

GTX Corp and its subsidiaries (Global Trek Xploration, Inc. and LOCiMOBILE, Inc.) are engaged in the design, development, manufacturing, distribution and sales of five (5) related products and services in the GPS and BLE wearable technology personal location and wandering assistive technology business. Through a proprietary enterprise (IoT) monitoring platform and licensing subscription business model, the Company offers a complete end to end solution of hardware, middleware, apps, connectivity, and professional services, letting you know where or how someone or something is at the touch of a button, delivering safety, security and peace of mind in real-time.

Since the start of 2015 the Company has focused on building channels of distribution for its product lines of embedded devices, Stand-Alone devices and Digital Apps which all funnel into the GTX Corp IoT monitoring platform. Each product line is sold both direct to consumer (B2C) and business to business (B2B) through a global network of resellers, affiliates, distributors, nonprofit organizations, government agencies, manufacturers reps and retailers. The Company has been ramping up its product distribution and sales channels and, as of December 31, 2015, the Company had live units in the field and / or paying subscribers in over 35 countries, had 10 regional sales reps in the US, 6 retired and active professional athlete brand ambassadors, over 225 online affiliates, products being sold in 2 retail stores, 13 international distributors, and a joint venture distribution agreement in Ireland. Also we were issued a vendor number for reimbursement in 5 U.S. states, and have applied for other State and Federal reimbursement codes, grants and private insurance reimbursement, which if granted is expected to increase the potential market for users of our SmartSole product line.

All product lines are sold with a monthly, quarterly or annual subscription service plan ranging from \$5 to \$49 per month and licensing plans with over 2,000 worldwide subscribers as of December 31, 2015.

### **Global Trek Xploration ( GTX California )**

Our GTX California subsidiary engages in the business of hardware, software, connectivity, design and development of GPS and Bluetooth low energy ( BLE ) monitoring and tracking solutions. This includes the management and monetization of the Company's IP portfolio. Offering a GPS and cellular location platform that enables subscribers to track in real time the whereabouts of people, or high valued assets. Our proprietary GPS device, which consists of a miniature quad band GPRS transceiver, antenna, circuitry, battery and inductive charging pad can be customized and integrated into numerous form factors whose location and movement can be monitored in real time over the Internet through our 24x7 tracking portal or on a web enabled cellular telephone. The 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, application-programming interface ( 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. Our Location Data Center services are also offered to non-GTX California products and hardware systems (i.e. handsets and personal electronics) of major electronics manufacturers through the offer and sale of exclusive licenses (either geographical, regional or product categories).

Markets that GTX California is currently in, or is exploring, include:



.  
Families with members who have Alzheimer's and or dementia, including developmentally challenged adults;

.  
Elder care support, life-style management and e-health applications;

.  
Adults and children with cognitive disorders such as Autism and TBI;

.  
High value asset tracking and location capability of drones, bikes, motorcycles, containers, luggage, and other assets that require monitoring or tracking;

.  
Mobile work force:

.  
Security for high-level executives, field workers, first responders, journalists, government employees, military, and law enforcement, and

.  
Biometrics, health and wellness.

## **Technology**

Our current location tracking product design utilizes quad-band GSM/GPRS telephony chip sets and can be adapted to the prevalent wireless technologies, 2G, 3G or 4G. 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 to different services.



GTX California has developed a carrier-class architecture and hosts the servers in a facility 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 the existing infrastructure for the worldwide cell network that provides 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.

As part of our expansion strategy/roadmap, the Company is currently exploring the development of a Code Division Multiple Access ( CDMA ) module that should open up new carrier relationships and territories that are predominantly CDMA, such as Japan and Korea.

### **Strategic Relationships and Licensing Arrangements**

The main initiatives 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 markets. We begin the process by entering into a platform test agreement or pilot program with a potential partner with the intent to transition into a long term relationship. By establishing and building partnerships, through licensing agreements, OEM, and carrier relationships, 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.

GTX California has the ability to customize its products to different form factors for the specific needs of its customers. To date, the Company has created three custom solutions: 1) the monitoring of seniors by installing the GPS device into specially designed shoes and insoles; 2) the monitoring of children by installing the GPS device into specially designed shoes and backpacks; and 3) the monitoring of various high value assets such as drones and other mobile assets.

The Company has several key strategic relationships established both on the supply side and the distribution side. Some of the key partners on the supply side are Atlantic Footcare, which manufactures our SmartSoles, Telic which manufactures our GPS and Cellular electronics and Telefonica which provides our global connectivity. On the distribution side we have numerous partnerships worldwide, ranging from distributors, health organizations, and retailers.

In June of 2015, we entered into an agreement with Alroni to handle warehousing and distribution for our European business. We ship inventory to Alroni in Ireland and they in turn handle B2C sales and fulfillment for Ireland and the U.K. and fulfillment for the certain countries in Europe. We utilize a revenue share model on what is shipped, hence having no fixed overhead cost for the warehousing of inventory. This agreement has enabled the Company to have a European presence without the associated overhead costs.

In September of 2015, we signed a global connectivity agreement with, Telefónica, S.A, enabling our products to operate in over 100 countries with flat rate pricing. In addition to proving us a global connectivity platform Telefonica has been instrumental in opening sales channels throughout Europe and Latin America for us. Telefónica, S.A. is a Spanish broadband and telecommunications provider with operations in Europe, Asia, and North, Central and South America. Operating globally, it is one of the largest telephone operators and mobile network providers in the world with revenues exceeding 58 billion USD. The company is a component of the Euro Stoxx 50 stock market index.

Throughout 2015 the Company signed up 4 retired and active professional NFL players as brand ambassadors; Sidney Rice, Clinton Portis, Jason Fox and Collin McCarthy.

During 2013, we entered into an exclusive three-year manufacturing contract with Atlantic Footcare, Inc., ( Atlantic ) to develop and launch the GPS SmartSole® (the SmartSole ). Atlantic is the Company s exclusive manufacturer of our GPS and BLE SmartSoles.

The Company is constantly engaging in new pilot programs domestically and internationally with these pilot programs being conducted by assisted living facilities, Government and Municipal agencies, Police departments, health organizations, retailers, distributors, universities; non-profits, special needs schools and independent sales organizations. The pilot programs generally last 2 to 4 months with a constant rotation of some pilots converting to commercial rollouts and new pilots coming in.

Designed for less chronic wanderers and as an introduction to our other footwear-based location monitoring products, in March 2015 we introduced the Bluetooth Low Energy ( BLE ) SmartSoles, a footwear system designed to monitor when the wearer enters or leaves a room or building. The BLE SmartSoles were specifically designed based on the needs of assisted living facilities and indoor monitoring and tracking. Similar to the GPS SmartSole, the BLE SmartSole looks and feels like a regular insole, may be placed in most shoes and trimmed to fit. The BLE SmartSole is embedded with a miniaturized low energy Bluetooth chip that reports when the user crosses a virtual perimeter. The BLE SmartSole has a battery life of over one year, alleviating the caregiver from the worry of recharging or replacing batteries. The technology is customizable for personal home use or commercial assisted living facilities and the caregiver is alerted via email or text when the wearer leaves the area.

Both the GPS and BLE SmartSoles are offered for sale on our [www.gtxcorp.com](http://www.gtxcorp.com) and [www.gpssmartsole.com](http://www.gpssmartsole.com) websites and over 225 online affiliates for \$299 and \$49 each, with several monthly and quarterly subscription plans available ranging from \$5 to \$75.

On February 15, 2013, June 26, 2013 and July 15, 2014, the Company entered into three separate one-year advisory service agreements with Brewer Sports International, LLC ( BSI ) (the Advisory Agreements ). The goal of the Advisory Agreements is to increase our brand and market awareness in an effort to increase sales, expand our sales network and become associated with contacts of BSI with respect to achieving these objectives. BSI will utilize its extensive network to facilitate outreach efforts with synergetic companies and partnering organizations as well as secure product endorsements and global exposure for our product line. BSI has included the Company in its Traumatic Brain Injury awareness conference and expanded its social media awareness programs relative to this issue and the products and services offered by the Company. We have extended the agreement for an additional year through July 15, 2016.

### **LOCiMOBILE, Inc.**

LOCiMOBILE, Inc., our mobile application subsidiary, developed and owns LOCiMOBILE®, a suite of mobile tracking applications ( Apps ) that turn the latest Smartphones and tablets such as iPhone®, iPad, Google Android and other GPS enabled handsets into a tracking and location based social networking device which can be viewed through our tracking portal or on any connected device with internet access. Additionally, we have released our newest enterprise App, *Track My Work Force*, which allows employers to easily track and monitor employees, drivers, sales reps, and more using their Smartphone, tablet or any wireless devices. The Company continues to rollout new and innovative products which will 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 methods of keeping track of their employees. Our roadmap also consists of additional applications for the iPad, other tablets, TV s, and more applications for the iPhone and Google Android operating systems, all of which are expected to contribute to our user base community, the value of our brand, and revenues from App sales, monthly subscriptions and advertising.

**Code Amber News Service, Inc. ( CANS )**

In February 2015, we discontinued our CANS operations and dissolved CANS in order to focus primarily on our core business of GPS monitoring products and Apps. CANS used to market and sell a patent pending digital medical record Code Amber Alertag. The Alertag is a product and service that provides worldwide access to critical personal information in emergency situations for persons who subscribe to the product and service. The Alertag is offered on an annual subscription based model. With the dissolution of the Code Amber operations, we transferred the assets of CANS to Global Trek Xploration subsidiary, where we still market and sell the Code Amber Alertags online at [www.codeamberalertag.com](http://www.codeamberalertag.com).

**GENERAL**

We maintain several Internet websites, blogs and social media sites including; [www.gtxcorp.com](http://www.gtxcorp.com), [www.locimobile.com](http://www.locimobile.com), [www.trackmyworkforce.co](http://www.trackmyworkforce.co), [www.gpsshoe.com](http://www.gpsshoe.com), [www.gpssmartsole.com](http://www.gpssmartsole.com), [www.codeamberalertag.com](http://www.codeamberalertag.com) and [www.gpstrackingapps.com](http://www.gpstrackingapps.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 corporate website as soon as we electronically file those documents with, or otherwise furnish them to, the Securities and Exchange Commission. The Company's various Internet websites and the information contained therein, or connected thereto, are not, and are not intended, to be incorporated into this Annual Report on Form 10-K.

## **INTELLECTUAL PROPERTY INVESTMENT**

Since 2002, we have invested, and continue to invest, significantly in our intellectual property portfolio, which consist of patents, trademarks and URLs. We have an ongoing program to file additional applications for and to obtain patents in the United States and in selected foreign countries where we believe filing for such protection is appropriate. Currently we own or have in-licensed 85 Patents; 23 patents and/or pending applications with priority dates going back to 2002 with several in the footwear category and a majority covering all aspect of the personal locator, its operating system and user interface. We also have several trademarks and acquired a license in 2011 for 62 external patents all in the field of geo specific location based services. We recently were granted two new patents in our Comm-Protocal 286 family of patents. The recent grant of these patents opens up a path for the Company to engage in a monetization campaign by currently exploring our best options.

## **THE INDUSTRY**

Smart technology is becoming the norm and it is starting to find its way into all parts of society. Miniature electronic devices that are worn by a person, commonly referred to as wearables, are a big and emerging part of the smart technology landscape for 2016. Wearable Technology is on the rise in personal fitness, wellness, healthcare and business use. 2016 CES was a record breaking year. More than 170,000 attendees from across the globe gathered amongst 2.47 million net square feet of exhibit space.

The Caregiving Innovation Frontiers (CIF) study found that an estimated 117 million Americans will need assistance of some kind by 2020, but the number of unpaid caregivers is only expected to reach 45 million in the same year. These unpaid caregivers are avid for solutions to assist them, and tech entrepreneurs already are stepping up to the plate. This huge demand represents a \$279 billion revenue opportunity over the next four years across six different business areas identified in the study, with 80% of spending being out-of-pocket costs. Technology solutions and remote health monitoring systems that enable family caregivers could provide key relief, according to the report. The CIF report outlined six areas for business opportunities, with huge potential for revenue grabs. Technology represents an opportunity across all the service areas, according to AARP. The majority of family caregivers 67% of them want to use technology to monitor their loved one s health and safety, but only about 10% are doing so right now, leaving a lot of room for growth.

In our ever-mobile society, it helps to know where we are and where we are going. Same with caregivers of seniors suffering from Alzheimer s and dementia, freight forwarding companies wanting to know where their packages are, and employers want to know where their field workers are. 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.

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

.

Universal awareness and expanding penetration of GPS enabled mobile smartphones & tablets (*estimated 2 billion shipments worldwide in 2015*).

.

Personal and asset security concerns affecting a greater portion of the population. This includes the increased awareness related to Global Terrorism and unrest.

.

Increasing numbers of elderly or memory impaired (*Alzheimer's, dementia, autism, etc. 9 million in U.S. and growing to 277 million worldwide by 2050*).

.

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 standard.

## **GROWTH STRATEGY**

We are engaged in a two-pronged business-to-business (B2B) and business-to-consumer (B2C) go-to-market strategy. Our goal is to become one of the major providers of personal monitoring and asset location services within specific markets. Once we hit critical mass in pricing, we will expand into 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 our two-way GPS tracking capabilities;

.  
Providing B2B hardware leasing programs;

.  
OEM private label manufacturing;

.  
A mass market retail price under \$199.00 for Personal Location devices;

.  
A monthly service fee structure, under \$20.00, having multiple convenient access points (mobile phone, land line, or via the Internet); and

.  
Ease of use at the location interface point as well as with the device, using state-of-the-art cloud computing and cloud application development.

## **COMPETITION**

Personal location and property tracking devices of various kinds are currently available from various vendors, and the number of competitive products is increasing rapidly in the marketplace. Nevertheless, we believe this rapidly growing market acceptance of tracking solutions represents a tremendous opportunity as the intrinsic value of the tracking solutions is recognized and mass market adoption continues. The key competitive advantage for GTX in its lead SmartSole product is our innovative approach to embedding electronics inside a flexible footwear system, which advantage is protected by an extensive patent portfolio.

Key differentiators between ourselves and the competition is:

B2B:  
.

Providing a comprehensive end-to-end solution comprised of hardware, software, and global connectivity, and

The ability to strategically align ourselves with partners to embed our technology through OEM or private label programs.

B2C:

Is that our BLE & GPS SmartSole is the only non-visible, non-intrusive solution.

There are numerous competitors for GPS products and our LOCiMOBILE® smart phone applications, including Location Based Technologies, Inc., Google Latitude, Foursquare, Trimble Navigation, Inc., Brick House Security and SOS GPS, Inc.

Many of our competitors are better financed than we are and/or have greater marketing and scientific resources than we can provide. We are also aware of a number of foreign competitors that offer less expensive personal location tracking products.

### **GOVERNMENT REGULATION**

We are 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 we are in conformity with all applicable laws in all relevant jurisdictions. We do not believe that our operations are subject to any environmental laws and regulations of the United States nor the states in which they operate.

### **OTHER LOCATION PRODUCTS**

In addition to marketing our own proprietary products such as the GPS and BLE SmartSole, we also market and sell the line of Prime tracking devices that are manufactured by third party suppliers. The Prime is a compact, fully certified quad-band integrated device that provides complete GSM/GPRS functionality for mobile tracking applications, which is waterproof, shock proof and comes with an SOS button. We primarily sell this product to a customer in the drone industry. 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. We retail sell these devices on Amazon.com to individuals and wholesale 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 contributes to an increase in our monthly subscription revenues. Currently we have three international platform license partners operating our backend in their respective country- Nepal, Mexico and Australia.

**EMPLOYEES AND CONSULTANTS**

As of December 31, 2015, the Company had ten employees, eight advisors and over two dozen independent contractors and sales personnel. Any selling, marketing, technical, IT and/or software development work that is not handled by our employees is outsourced to qualified contractors and consultants as deemed necessary.

**ITEM 1A:**

**RISK FACTORS**

*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. The risks described below are those we currently believe may materially affect us. If any of them occur, our business, financial condition, operating results or cash flow could be materially harmed. 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. These risks and uncertainties, however, are not the only ones that we face. Additional risks and uncertainties not currently known to us, or that we currently think are immaterial, may also impair our business operations or the value of your investment.*

**RISKS RELATED TO OUR BUSINESS**

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

As of December 31, 2015, we had a working capital deficit of approximately \$1,128,000 and an accumulated deficit of approximately \$18,519,000. In addition, for the year ended December 31, 2015, we had a loss of approximately \$1,280,000 and negative cash flow from operating activities of approximately \$666,000. Revenues generated from our current operations are not sufficient to pay our on-going operating expenses. 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. In order to fund our working capital needs and our product development costs, during 2015, we entered into a seven (7) separate Note and Share Purchase Agreements with individual accredited investors resulting in net proceeds of \$705,000. Additionally, during the first quarter of 2016, we entered into three (4) Note and Share Purchase Agreements with individual accredited investors resulting in net proceeds of \$162,000. Aside from these agreements, we have not identified the sources for additional financing that we may 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 OTCPink market and not on a national securities exchange, particularly if there is only limited trading in our common stock on the OTCPink market 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 convertible debt securities and 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. In addition, if we are unable to obtain funding as, and when needed, we may have to further reduce and/or cease our future operations. 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.

Based on the above factors, our auditors have concluded that there is substantial doubt as to our ability to continue as a going concern.

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

We currently have a working capital deficit and our current and projected revenues are not sufficient to fund our anticipated operating needs. We have reported net losses of approximately \$1,280,000 and \$1,803,000 for the years ended December 31, 2015 and 2014, respectively. Sales of the GPS SmartSoles began in January 2015 and our first production run were sold out. We anticipate revenues from our SmartSoles product will increase in 2016, however, 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, subscriptions and licensing fees. We cannot be certain that our business will ever be successful or that we will generate significant revenues and become profitable. 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.

*Our current sources of funding are limited, and any additional funding that we may obtain may be on unfavorable terms and may significantly dilute our existing shareholders.*

We currently have not identified sources to fund our current and proposed operating activities. The amount of revenues that we currently generate is not sufficient to fund our operating expenses. As a result, unless and until our revenues increase significantly in the near future, we will have to obtain additional public or private equity financings or debt financings in order to continue our operations. 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 substantial based on our current stock price, and could increase if the trading price of our common stock declines at the time of any financing from its current levels. 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. We may also attempt to raise funds through corporate collaboration and licensing arrangements. To the extent that we raise additional funds through such means, 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:

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The ramping and scaling of the GPS SmartSole® and BLE SmartSole;

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Supporting growth with advertising and marketing;

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Our ongoing general and administrative expenses related to our being a reporting company;

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The cost of developing and improving our products and technologies thru R&D and staying competitive; and

The maintenance and the ongoing development of our IP portfolio.

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.

***Our projected revenues in 2016 rely heavily on the scaling of the GPS and BLE SmartSole<sup>®</sup>, which were commercially released in early 2015.***

We completed the development and testing of our second generation footwear product, the GPS and BLE SmartSole<sup>®</sup> in 2014 and began commercially shipping the product at the beginning of 2015. Our revenue projections for 2016 assume that the revenues we generated from the SmartSole will increase significantly from the amount generated in 2015. However, we cannot predict the future and continued market acceptance of the SmartSole product line. Accordingly, it is uncertain whether our revenues will equal our internally projected levels. Failure to reach our target revenue levels will materially, and adversely, affect our financial condition.



***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 customer and media reviews, industry analyst commentaries, and comparisons to competitive products. 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 have to continuously evolve and respond to market changes. If we are unable to commercially release products that are accepted in the market or that generate significant revenues, our financial results will continue to suffer.***

Wireless technology is rapidly changing, as are the products that our customers are demanding. In order to be able to provide our customers with the products and services that they desire, we too must continuously develop and offer new and improved products and services. We have attempted to adjust our product offerings to address changing market conditions by offering products such as proprietary GPS enabled transport containers, footwear location products, and a variety of smartphone location Apps, secure backpacks, etc. These products have met with short-term or limited commercial success, and there can be no assurances that consumer or commercial demand for our future products 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. Unless we are able to release location based products that meet a significant market demand, we will not be able to improve our financial condition or the results of our future operations.

***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. 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 free media exposure and have tried to build market recognition both directly for our products and also by tying our products to our LOCiMOBILE Apps and the Code Amber Alertag brand that we own.

*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 experienced some quality issues with the limited production of some of our initial products. Although we have addressed these issues, we have only 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 to 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 primarily depend upon two manufacturers for the components of our SmartSole and if we encounter problems with these manufacturers there is no assurance that we could obtain products from other manufacturers without significant disruptions to our business.***

The principal components and subassemblies of our products are currently manufactured for us by two manufacturers. 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 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.***

Our markets are highly competitive and we expect that both direct and indirect competition will increase in the future. Within each of our markets, we encounter direct competition from various larger U.S. and non-U.S. competitors. The adoption of new technology in the communications industry likely will intensify the competition for improved 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 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 continually introduce 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.

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.

***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 expect continued fluctuations in revenues and expenses.***

We have had increasing sales in 2015. We rely on our e-Commerce Store, international distributors, channel partners, a few licensees, telecommunication carriers, affiliates and sells reps to sell our products. If any of these relationships change or are disrupted, we could lose a significant portion of anticipated revenue.

Our sales will continue to be uncertain and we expect fluctuation in revenues and expenses until we either have a larger installed base of SmartSole users (which user base provides us with predictable, monthly revenues), enter into other license agreements that provide us with regular royalties or subscription revenues, or our LOCiMOBILE® applications are downloaded by a significant larger number of users who pay our download fees. As such, the amount of revenues we receive from the sale and use of our products, our subscriptions, our licensing agreements, and our downloads, will fluctuate and depend upon our customer's willingness to buy our products, and for our partner's abilities to sell the products that contain our technology. 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 negative publicity, competition, product liability 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 manner, or generate sufficient interest in our products or services, 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 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.

*There are risks of international sales and operations.*

We anticipate that a growing, and potentially 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 and currently the U.S. dollar is very strong giving us a significant buying advantage, 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;

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injury to our reputation and significant media attention;

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costs of litigation; and

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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;

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Diversion of resources, including the attention of management;

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Our agreement to pay certain royalty and/or licensing fees;

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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 effect 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 effect 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 we established our LOCiMOBILE, Inc. subsidiary and purchased our Code Amber News Service, Inc. subsidiary, which was discontinued in February 2015. Future acquisitions or strategic investments could have a material adverse effect on our business and operating results because of:

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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 April 14, 2016 our executive officers and directors, in the aggregate, beneficially own shares representing approximately 14.45% 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**

***The resale of shares by the holders of our convertible promissory notes and our other investors could depress the market price of our common stock.***

We have issued a substantial amount of convertible promissory notes in the recent past to fund our working capital and other financial needs. A number of the holders of these convertible notes have been converting these promissory notes into shares of our common stock. The resale of a significant number of these shares into the public market by the investors could depress the market price of our common stock.

***Our convertible notes may be converted into shares of our common stock at less than the then-prevailing market price for our common stock if the lenders chooses to convert the notes.***

As of December 31, 2015 we had short term convertible notes with outstanding principal balances totalling \$556,250 and during the first quarter of 2016 we entered into additional short term convertible notes with principal balances of \$175,000 all of which can potentially be convertible into shares of the Company's common stock at prices less than the then-prevailing market price. The lenders for these convertible notes have a financial incentive to convert the notes and realize the profit equal to the difference between the conversion price and the market price. If the convertible notes are converted, the price of our common stock could decrease. See further discussion regarding the conversion features of our convertible debentures in footnote 7 of our Financial Statements included herein.

During 2014, we converted notes payable with principal balances of \$1,154,438 owed to 112359 Factor Fund, LLC ( Factor Fund ) into 113,955,368 shares of our common stock resulting in an average \$0.01 price per share and retired \$75,000 of debt owed to Factor Fund in exchange for \$1.00. On March 3, 2015, Atlantic exercised its right to convert the note into 12% of the Company's outstanding shares of common stock as of November 13, 2014. As a result, we issued 22,523,226 shares of our common stock at \$.0089 per share to Atlantic as conversion of the \$200,000

convertible note. On August 12, 2015, we issued a total of 8,000,000 shares of common stock to an investor, in exchange for the retirement of debt with the conversion of their \$120,000 in Convertible Notes that closed in Q1 2015.

On October 6, 2015, we issued a total of 3,000,000 shares of common stock to two investors, in exchange for the retirement of debt with the conversion of their \$45,000 in Convertible Notes that closed in Q4 2014. On December 18, 2015, we issued a total of 2,000,000 shares of common stock to an investor, in exchange for the retirement of debt with the conversion of their \$30,000 in Convertible Notes that closed in Q4 2014. Our average market price during 2015 was \$0.0135 per share. Although our goal is to limit future issuances of such convertible notes, no assurance can be given that we will not have to raise funds from these types of investments in the future.

***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 OTCPink market. Trading of our stock through the OTCPink market 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 372,104,874 common shares and no preferred shares were issued and outstanding as of April 14, 2016. 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.

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.

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

Our common stock is currently quoted on the OTCPink market 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.

#### **ITEM 1B.**

##### **UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2.**

##### **DESCRIPTION OF PROPERTIES**

Our executive, administrative and operating offices are located at 117 W 9<sup>th</sup> Street, Suite 1214, Los Angeles, California 90015. Our office space is approximately 1,230 square feet and consists of administrative work space for a base rent of \$1,325 per month. The lease is currently on a month-to-month basis.

#### **ITEM 3.**

##### **LEGAL PROCEEDINGS**

From time to time, we may be involved in routine legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. The ultimate amount of liability, if any, for any claims of any type (either alone or in the aggregate) may materially and adversely affect our financial condition, results of

operations and liquidity. In addition, the ultimate outcome of any litigation is uncertain. Any outcome, whether favorable or unfavorable, may materially and adversely affect us due to legal costs and expenses, diversion of management attention and other factors. We expense legal costs in the period incurred. We cannot assure you that additional contingencies of a legal nature or contingencies having legal aspects will not be asserted against us in the future, and these matters could relate to prior, current or future transactions or events.

We are not currently a party to any material legal proceedings. We are not aware of any pending or threatened litigation against us that we expect will have a material adverse effect on our business, financial condition, liquidity, or operating results. However, legal claims are inherently uncertain, and we cannot assure you that we will not be adversely affected in the future by legal proceedings.

**ITEM 4.**

**MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

## ITEM 5.

## MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information. Our common stock is quoted on the over-the-counter market on the OTCPink trading platform under the symbol GTXO. The following table sets forth the high and low sale prices for our common stock on the OTCPink market for the periods indicated:

	<b>Year Ended December 31, 2015</b>	
	<b>High</b>	<b>Low</b>
Quarter ended March 31, 2015	\$ 0.022	\$ 0.010
Quarter ended June 30, 2015	\$ 0.020	\$ 0.011
Quarter ended September 30, 2015	\$ 0.016	\$ 0.010
Quarter ended December 31, 2015	\$ 0.013	\$ 0.009

	<b>Year Ended December 31, 2014</b>	
	<b>High</b>	<b>Low</b>
Quarter ended March 31, 2014	\$ 0.045	\$ 0.008
Quarter ended June 30, 2014	\$ 0.040	\$ 0.016
Quarter ended September 30, 2014	\$ 0.032	\$ 0.008
Quarter ended December 31, 2014	\$ 0.020	\$ 0.006

Holder of Record. As of April 14, 2016, an aggregate of 372,104,874 shares of our common stock were issued and outstanding and were owned by approximately 186 holders of record, based on information provided by our transfer agent. The foregoing number of record holders does not include an unknown number of stockholders who hold their stock in street name.

## Recent Sales of Unregistered Securities.

## Edgar Filing: GTX CORP - Form 10-K

On October 06, 2015, we issued a total of 3,000,000 shares of common stock to two investors in exchange for the retirement of debt with the conversion of their \$45,000 in Convertible Notes that closed in Q4 2014.

On October 15, 2015, we issued a total of 10,325,000 shares of common stock (valued at \$104,000) to eight consultants for services rendered. Additionally, we issued 500,000 shares of common stock to each of our Board Members for a total of 2,500,000 shares of common stock (valued at \$25,000) for their participation at the Board meeting held in October 2015, and issued 250,000 shares of common stock (valued at \$2,750) to one employee for services rendered.

On December 18, 2015, we issued a total of 2,000,000 shares of common stock to an investor, in exchange for the retirement of debt with the conversion of their \$30,000 in Convertible Notes that closed in Q4 2014.

The issuance of the above shares was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

### **Re-Purchase of Equity Securities.**

None

### **Dividends.**

We have never declared or paid cash dividends on our capital stock and we do not anticipate declaring or paying cash dividends on our capital stock in the foreseeable future. Any payments of cash dividends will be at the discretion of our board of directors, and will depend upon our results of operations, earnings, capital requirements, legal and contractual restrictions, and other factors deemed relevant by our board of directors.

**Equity Compensation Plan Information.**

On March 14, 2008, we adopted the 2008 Equity Compensation Plan (the 2008 Plan ) pursuant to which we are authorized to grant stock options, stock awards and stock appreciation rights of up to 7,000,000 shares of common stock to our employees, officers, directors and consultants. The 2008 Plan is administered by the Board of Directors of the Company. The following table provides information with respect to outstanding options as of December 31, 2015 pursuant to compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance.

	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
<u>2015</u>			
Equity compensation plans approved by security holders	452,493	\$0.080	2,234,877
Equity compensation plans not approved by security holders	--	--	--
Total	452,493	\$0.080	2,234,877

As a result of the cancellation and expiration of options subsequent to December 31, 2015, there are approximately 2,235,000 options available for issuance under the 2008 Plan as of April 14, 2016.

**ITEM 6.****SELECTED FINANCIAL DATA.**

Not applicable to a smaller reporting company as defined in Item 10(f)(1) of SEC Regulation S-K.

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

## Overview

*Business.* GTX Corp and its subsidiaries (currently, Global Trek Xploration, Inc. and LOCiMOBILE, Inc.) are engaged in businesses that design, develop and sell various interrelated and complementary products and services in the Personal Location Services marketplace. GTX California focuses on hardware and software design and development of products and services by offering a Global Positioning System ( 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. LOCiMOBILE, Inc. has developed and owns LOCiMobile™, a suite of mobile tracking applications that turn the iPhone, Android, BlackBerry and other GPS enabled handsets into a tracking device which can then be tracked from handset to handset or through our Location Data Center tracking portal and which allows the user to send a map to the recipient's phone showing the user's location. During 2014, we also provided state Amber Alerts throughout the US and Canada via website tickers and news feeds to merchants, internet service providers, affiliate partners, corporate sponsors and local, state and federal agencies through Code Amber News Service, Inc. ( CANS ), a wholly-owned subsidiary. In February 2015, we dissolved CANS in order to focus primarily on our GPS monitoring products. The following discussion regarding our results of operations for all of 2014 and the interim period prior to CANS' dissolution in 2015 include CANS.

## Results of Operations

The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this Annual Report.

The following table represents our statement of operations for the years ended December 31, 2015 and 2014:

	Year ended December 31,			
	2015		2014	
	\$	% of Revenues	\$	% of Revenues
Revenues	449,254	100%	138,336	100%
Cost of goods sold	300,038	67%	74,843	54%
Net profit	149,216	33%	63,493	46%
Operating expenses:				
Wages and benefits	873,942	195%	408,720	295%
Professional fees	337,536	75%	358,700	259%
Impairment of capitalized assets	-	0%	10,000	7%
General and administrative	227,467	51%	268,353	194%
Total operating expenses	1,438,945	320%	1,045,773	756%
Loss from operations	(1,289,729)	-287%	(982,280)	-710%
Other expense, net	10,021	2%	(821,210)	-594%
Net loss	(1,279,708)	-285%	(1,803,490)	-1304%

### Revenues

Overall, our results of operations in fiscal 2015 were substantially better than the results of 2014. Revenues in fiscal 2015 increased \$310,918 or 225% in comparison to fiscal 2014 primarily due to the launch of the new GPS SmartSole product line, and continuing sales of stand-alone device, Apps, Alertags, platform test agreements and the month over month increase in subscribers. The increases were expected based on (1) management's shift in strategy from licensing its products to developing and selling products directly to consumers and distributors, which took effect at the end of 2014 and (2) management's focus on the launch of GPS SmartSoles, BLE SmartSole and the relaunch of the Track-My-Workforce App. Based on the early sales and order data for 2016, we anticipate that revenues from the sale the SmartSole products and the recurring monthly subscriptions from SmartSole products in 2016 will represent a growing portion of our revenues. We also anticipate that we will continue to generate additional revenues from our stand-alone devices, BLE devices, and Alert Tags.



Cost of goods sold

Cost of goods sold for fiscal 2015 increased by \$225,195 or 301% compared to fiscal 2014 due primarily to the increase in sales, as discussed above. Cost of goods as a percentage of sales increased from 54% in fiscal 2014 to 67% in fiscal 2015 as a result of the launch of the new SmartSole and the subsequent costs associated with the purchase and sell of the inventory.

Wages and benefits

Wages and benefits for fiscal 2015 increased \$465,222 or 114% compared to fiscal 2014. The change is a direct result of the increase in product sales and subscribers, which required an increase in support staff.

Professional fees

Professional fees consist of costs attributable to consultants and contractors who primarily spend their time on sales, marketing and product development; business development; investor relations; legal fees; and accounting expenses. Such costs decreased \$21,164 or 6% in fiscal 2015 compared to fiscal 2014 primarily due to a reduction in in the amount of services we needed from such outside consultants, as well as, overall cost cutting measures.

Impairment of capitalized assets

Management evaluates our capitalized assets on a regular basis and recognizes a write-down to net realizable value when it is determined that the assets value has been impaired. No such impairment charges were incurred in fiscal 2015.

General and administrative

General and administrative costs during fiscal 2015 decreased by \$40,886 or 15% in comparison to fiscal 2014 despite the costs related to the launch, marketing and market development associated with our GPS and BLE SmartSoles, which increased website development costs and travel expenses.

Other expense, net

Other expense, net for 2015 consists primarily of costs associated with our debt financings. During the year ended December 31, 2015, approximately \$137,000 of debt was forgiven by the former COO of the Company and a loss of approximately \$32,000 was recognized upon the settlement of debt with stock resulting in a non-cash gain on extinguishment of debt of approximately \$105,000. During the year ended December 31, 2014, approximately \$2,290,000 of debt was converted into 115,418,861 shares of our common stock valued at approximately \$1,777,000 resulting in a non-cash loss on extinguishment of debt of \$513,336. Additionally, the accounting treatment for the bifurcation of the derivative liabilities embedded in our long-term and short-term convertible notes results in net derivative, non-cash income of \$13,490 in fiscal 2015, and non-cash expense of \$299,716 in fiscal 2014. The net derivative expense represents the change in fair value of the derivative liability during the period as well as the amortization of the related debt discount.

Net loss

Net loss during fiscal 2015 decreased approximately 29% in comparison to the net loss incurred during fiscal 2014. The decrease is primarily due to the decrease in loss on extinguishment of debt and derivate expenses, and to a less extent to increased revenues associated with launch of our new GPS SmartSole product line as discussed above.

**Liquidity and Capital Resources**

As of December 31, 2015, we had approximately \$8,000 in cash and \$161,000 of other current assets, and \$1,289,000 of current liabilities, resulting in a working capital deficit of approximately \$1,128,000 compared to approximately \$12,000 in cash and a working capital deficit of approximately \$1,196,000 as of December 31, 2014.

Net cash used in operating activities was approximately \$666,000 for fiscal 2015 compared to approximately \$532,000 for fiscal 2014. The increase in net cash used in operating activities was largely attributable to a decrease in our net loss offset by the gain on extinguishment of debt, stock based compensation, and adjustments to our derivative liabilities, as well as, decreases in inventory, accounts payable to vendors, and the continued accrual of portions of wages payable to members of management in an effort to preserve cash for working capital needs.

Net cash provided by financing activities during fiscal 2015 was \$688,000 and consisted of proceeds totaling \$705,000 received from advances under various convertible note payable agreements. Net cash provided by financing activities during fiscal 2014 was \$482,000 and consisted of proceeds totaling \$486,000 received from advances under various convertible note payable agreements.

We expect to continue to generate revenues from our product sales, subscriptions, licensing, Track My Work Force, international distributors, hardware sales, professional services, new customers in the pipeline and possibly from the monetization of our IP portfolio. However, the amount of such revenues is unknown and is not expected to be sufficient to fund our working capital needs. Accordingly, we anticipate that we will have to continue to raise additional capital in order to fund our operations in 2016.

In order to continue funding our working capital needs and our product development costs, during 2015 we entered into seven (7) separate note and share purchase agreements with 7 independent accredited investors. As a result, we issued convertible notes with a total principal balance of \$771,250 (the 2015 Convertible Notes ). In exchange for the 2015 Convertible Notes, we received cash proceeds of \$705,000. The 2015 Convertible Notes carry an original issue discount of 20%, mature after one-year and are convertible into common stock of the Company at \$0.015 per share, subject to adjustment and mandatory conversion. In addition to the 2014 and 2015 Convertible Notes issued, a total of 2,175,000 additional shares of the Company's common stock are required to be issued to the investors because the Q4 2014 Convertible Notes were not repaid or converted prior to June 30, 2015. As of December 31, 2015 only 125,000 of these additional shares have been issued, and 4 of the Convertible Notes were converted, thus nullifying the additional share issuances for these.

Subsequent to December 31, 2015, we entered into note and share purchase agreements with four independent accredited investors. As a result, we issued convertible notes with a total principal balance of \$175,000 (the Q1 2016 Convertible Notes ) for cash proceeds of \$162,000.

In addition to continuing to incur normal operating expenses, we intend to continue our research and development efforts for our various technologies and products, including hardware, software, interface customization, and website development, and we also expect to further develop our sales, marketing and manufacturing programs associated with the commercialization, licensing and sales of our GPS devices and technology, and the commercialization of the LOCiMOBILE® applications for GPS enabled handsets. We currently do not have sufficient capital on hand to fully fund our proposed research and development activities, which lack of product development may negatively affect our future revenues.

As noted above, based on budgeted revenues and expenditures, unless revenues increase significantly, we believe that our existing and projected sources of liquidity may not be sufficient to satisfy our cash requirements for the next twelve months. Accordingly, we will need to raise additional funds in 2016. The sale of additional equity securities will result in additional dilution to our existing stockholders. Sale of debt securities could involve substantial operational and financial covenants that might inhibit our ability to follow our business plan. 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 substantial based on our current stock price, and could increase if the trading price of our common stock declines 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 that we raise additional funds through collaboration and licensing arrangements, we may be required to 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 may have to further reduce our current level of operations, or may even have to totally discontinue our operations.

We are subject to many risks associated with early stage businesses, including the above discussed risks associated with the ability to raise capital. Please see the section entitled Risk Factors for more information regarding risks associated with our business.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations as of December 31, 2015:

		Payments due by period
Total	Less than 1 year	1-3 years

						More than 3 years
Atlantic Note	\$	-	\$	-	\$	-
Q4 2014 Notes		126,000		126,000		-
2015 Convertible						
Notes		630,250		430,250		200,000
Total	\$	756,250	\$	556,250	\$	200,000

### Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### Inflation

Inflation and changing prices have had no effect on our net sales and revenues or on our income from continuing operations over our two most recent fiscal years.

### **Critical Accounting Policies and Estimates**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

We have identified the following critical accounting policies that are most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The following is a review of the more critical accounting policies and methods used by us:

### Going Concern

The consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred net losses of \$1,279,708 and \$1,803,490 for the years ended December 31, 2015 and 2014, respectively, has incurred losses since inception resulting in an accumulated deficit of \$18,519,063 as of December 31, 2015, and has negative working capital of \$1,128,464 as of December 31, 2015. A significant part of our negative working capital position at December 31, 2015 consisted of \$291,451 of amounts due to officers and management of the Company for accrued wages. The Company anticipates further losses in the development of its business.

The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company's ability to raise additional capital through the future issuances of debt or equity is unknown. The obtainment of additional financing, the successful development of the Company's contemplated plan of operations, or its attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

### Revenue Recognition

Revenues consist primarily of the sale of our GPS tracking devices and the related monthly service fees, the sale of our GPS SmartSole via various pilot programs, the monthly service fee from subscribers of the GPS SmartSole, and our mobile tracking applications sold via the Apple iTunes Store and the Google Marketplace.

The Company recognizes revenue from product sales when the product is shipped to the customer and title has transferred. The Company recognizes application revenue when the application is purchased by the customer. The Company assumes no remaining significant obligations associated with the product sale other than that related to its warranty program discussed below. Revenue related to monthly service fees both for the GPS and BLE SmartSole, GPS tracking devices, Alert Tag, licensing agreements and annual subscriptions are recognized over the respective terms of the agreements.

Revenue from multiple-element arrangements is allocated to the elements based on the relative fair value of each element, which is generally based on the relative sales price of each element when sold separately. Each element's allocated revenue is recognized when the revenue recognition criteria for that element have been met. If the Company cannot objectively determine the fair value of any undelivered element included in a multiple-element arrangement, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

#### Product Warranty

The Company's warranty policy provides repair or replacement of products (excluding GPS Shoe devices) returned for defects within ninety days of purchase. Warranty liabilities are recorded at the time of sale for the estimated costs that may be incurred under our standard warranty. As of December 31, 2015, products returned for repair or replacement have been immaterial. Accordingly, a warranty liability has not been deemed necessary.

#### Derivative Instruments

Our debt or equity instruments may contain embedded derivative instruments, such as conversion options, which in certain circumstances may be required to be bifurcated from the associated host instrument and accounted for separately as a derivative instrument liability.

Our derivative instrument liabilities are re-valued at the end of each reporting period, with changes in the fair value of the derivative liability recorded as charges or credits to income, in the period in which the changes occur. For bifurcated conversion options that are accounted for as derivative instrument liabilities, we determine the fair value of these instruments using the Black-Scholes option pricing model. This model requires assumptions related to the remaining term of the instrument and risk-free rates of return, our current Common Stock price and expected dividend yield, and the expected volatility of our Common Stock price over the life of the option.

Stock-based Compensation

Stock-based compensation expense is recorded for stock and stock options awarded in return for services rendered. The expense is measured at the grant-date fair value of the award and recognized as compensation expense on a straight-line basis, which is generally commensurate with the vesting period. The Company estimates forfeitures that it expects will occur and records expense based upon the number of awards expected to vest.

**ITEM 7A.**

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable to a smaller reporting company as defined in Item 10(f)(1) of SEC Regulation.

**ITEM 8.**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements required by Item 8 are submitted in a separate section of this report, beginning on page F-1, and are incorporated herein and made a part hereof.

**ITEM 9.**

**CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A.**



## CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Exchange Act) that is designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act, as amended). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( *COSO* ) in *Internal Control Integrated Framework*. Based on our assessment, management identified significant deficiencies related to: (i) our internal review functions, and (ii) a lack of segregation of duties within accounting functions. As a result, management concluded that, as of December 31, 2015, the Company's internal control over financial reporting were not effective based on the criteria established in *Internal Control Integrated Framework*. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with any policies and procedures may deteriorate. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. We are in the process of determining how best to change our current system and implement a more effective system however there can be no assurance that implementation of any change will be completed in a timely manner or that it will be adequate once implemented. To the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals. We believe that the foregoing steps will help remediate the significant deficiencies identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting since one is not required.



### **Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal controls over financial reporting that occurred during the annual reporting period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

### **ITEM 9B.**

#### **OTHER INFORMATION**

None.

**PART III****ITEM 10.****DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Executive Officers and Directors. Each of our directors was elected by the stockholders and serves until his or her successor is elected and qualified.

The board of directors currently has no nominating or compensation committee at this time.

Our Chief Executive Officer serves pursuant to an employment agreement that was automatically extended for one year on March 14, 2015, and that will automatically be extended for successive one-year periods if not cancelled by either party. See Item 10, Executive Compensation Employment Agreements.

The following table sets forth information regarding our executive officers and directors.

<b>Name</b>	<b>Position Held</b>	<b>Age</b>	<b>Date First Appointed</b>
Patrick E. Bertagna	President, Chief Executive Officer and Chairman of the Board	52	March 14, 2008
Alex McKean	Chief Financial Officer	51	October 3, 2011
Christopher M. Walsh	Director	66	July 1, 2015
Louis Rosenbaum	VP of Operations & Finance, Director	65	March 14, 2008 (Director)
Andrew Duncan	Director, Audit Committee Member, Corporate Secretary and Treasurer	51	March 1, 2015 (VP) April 2, 2010
Greg Provenzano	Director, Audit Committee Member	53	April 2, 2010

**Biographical Information**

The following describes the backgrounds of current executive officers and directors. Our Board of Directors has determined that Greg Provenzano is an independent director as defined in the NASDAQ rules governing members of boards of directors.

Mr. Bertagna is the sole director and the Chief Executive Officer of GTX California and LOCiMOBILE, Inc. He also was the CEO of Code Amber News Service, Inc., the subsidiary that we dissolved in February 2015. Mr. Rosenbaum is the VP of Operations and Finance and Mr. McKean is the Interim Chief Financial Officer of each of those subsidiaries.

**Patrick E. Bertagna Director, Chief Executive Officer, President and Chairman of the Board**

Mr. Bertagna was the founder of GTX California in September 2002 and has since served as its Chief Executive Officer, President and Chairman of the Board of Directors of GTX. He is co-inventor of our patented GPS footwear technology. His career spans over 30 years in building companies in both technology and consumer branded products.

Mr. Bertagna began his career in consumer products importing apparel from Europe and later went on to import and manufacture apparel, accessories and footwear in over 20 countries. In 1993, Mr. Bertagna transitioned into technology and founded Barcode World, Inc. a supply chain software company, enabling accurate tracking of consumer products from design to retail. In June 2002 after selling this company, Mr. Bertagna combined his two past careers in consumer products and tracking technology and founded GTX.

Mr. Bertagna was born in the South of France and is fluent in French and Spanish, has formed alliances with Fortune 500 companies such as IBM, AT&T, Sports Authority, Federated Stores, Netscape and GE. He has been a keynote speaker and has been awarded several patents.

Mr. Bertagna has extensive knowledge of: the manufacturing industry, internet software development, building intellectual property portfolios and overall experience in growing early stage high-tech companies. As a founder of GTX California and co-inventor of the GPS Shoe, this knowledge enables Mr. Bertagna to be uniquely qualified to be on the Board of Directors.

**Alex McKean Chief Financial Officer**

Mr. McKean was appointed as our Interim Chief Financial Officer in October 2011, a position that he has held until we made him Chief Financial Officer in 2015. He is currently also the Chief Financial Officer of Encore Brands, Inc., a position he has held since October 2009. Previous to that, he acted as an independent management consultant under his own firm, SGT Enterprises, Inc. as well as an independent contractor with Robert Half International and Ajilon Finance. Prior to establishing his own firm, during 2004-2007 Mr. McKean was with Parson Consulting working in such areas as: strategy, financial modeling, SEC filings, process management and Sarbanes Oxley. Mr. McKean has held positions as a Controller and VP of Finance at 24:7 Film from 2002-2004, VP of Finance at InternetStudios.com from 2000-2002, Director of FP&A/SVP at Franchise Mortgage Acceptance Company from 1998-2000, as Corporate Accounting Manager/Treasurer of Polygram Filmed Entertainment from 1996-1998 and Assistant Treasurer/Controller for State Street Bank from 1989-1996.

Mr. McKean holds an International MBA from Thunderbird's School of Global Management and undergraduate degrees in Finance and Political Science from Trinity University.

**Christopher M. Walsh - Director**

Mr. Walsh joined this company as its Chief Operating Officer in March 2008, as of June 30, 2015 we accepted his resignation of the his position and transitioned him into a Director on July 1, 2015. Mr. Walsh began his career with Nike in 1974 and subsequently established and implemented Nike's first manufacturing operation in the Far East. In 1989, Mr. Walsh joined Reebok International as Vice President of Production. In that role he established the Company's inaugural Asian organization headquartered in Hong Kong with satellite organizations across Asia, and also played a critical role on the Reebok Pump Task Force directing the manufacturing initiatives associated with the unique components of the Pump system. After Reebok, Mr. Walsh moved to LA Gear in 1992 and, as Chief Operating Officer, became a critical figure in the turnaround team assembled by LA Gear and was responsible for all research and development, design, manufacturing, sourcing, quality control, distribution and logistics.

Upon leaving LA Gear in 1995, Mr. Walsh founded CW Resources, a Los Angeles based firm providing design, development, manufacturing and licensing consulting services to an extensive client base, both domestic and international, within the footwear, apparel, textile, sporting goods and action sports industries. Since January 2005, he has served as an advisor to GTX California spearheading their footwear research and development and marketing practices.

Mr. Walsh received a B.S. in Marketing from Boston College in 1973 and previously served on numerous organizational boards within the footwear and textile industries including The Two Ten International Footwear Foundation and The Footwear Distributors and Retail Association.

**Louis Rosenbaum VP of Operations and Finance, Director**

Mr. Rosenbaum served as a member of GTX California's Board of Directors from September 2002 until June 2005 and then again from October 2007 until March 2008, at which time he became a director of GTX Corp. Subsequently, Mr. Rosenbaum was asked to act as the VP of Operations and Finance since March 1, 2015. Mr. Rosenbaum was a founder and early investor in Global Trek Xploration.

Mr. Rosenbaum has been the President of Advanced Environmental Services since July 1997. His responsibilities at Advanced Environmental Services encompass supervising all administrative and financial activities, including all contractual aspects of the business. Mr. Rosenbaum has been working in the environmental and waste disposal industry for the past eighteen years. He started with Allied Waste Services, a division of Eastern Environmental (purchased by Waste Management Inc. in 1998) in 1990.

Mr. Rosenbaum founded and was President of Elements, a successful clothing manufacturer that produced a line of upscale women's clothing in Hong Kong, China, Korea and Italy, from 1978 to 1987.

Mr. Rosenbaum has a long history in the consumer products industry, electronics and software sales and development. Mr. Rosenbaum is a co-founder of GTX Corp, was the first large investor and has assisted in the overall vision and development of the Company since inception. Mr. Rosenbaum has served on numerous private and community public boards and this unique blend of experience and history, combined with his strategic and tactical insight, makes Mr. Rosenbaum an asset to the GTX Corp Board.

**Andrew Duncan    Head of International Business Development, Director, Member of Audit Committee, Corporate Secretary and Treasurer**

Mr. Duncan has been working in the consumer electronics and technology licensing business for over 20 years. Since 2006 he has been the CEO of ClearPlay International, a software licensing company. Prior thereto, he founded Global TechLink Consultants Inc., a technology consultancy company, specializing in technology licensing, multimedia, communication and application technology on a global basis, including Interactive TV, Digital downloads/streaming and Consumer Electronics. From 1994 to 2001, Mr. Duncan worked as Vice President Consumer Electronics for Gemstar TV Guide International (Los Angeles USA).

Mr. Duncan earned his honors degree in Chemistry from Nottingham University and postgraduate qualifications in Marketing and Direct Marketing from London University (Kings College). He also has a Certificate of Business Management from the Anderson School of Business UCLA.

Mr. Duncan's experience in global intellectual property, branding and licensing, uniquely qualifies him to serve on our Board. Mr. Duncan's long involvement in global business development, with an extensive background working in both Europe and Asia as a business strategist for major corporations, directly assists the Board in its international strategic planning objectives and activities.

**Greg Provenzano    Director, Member of Audit Committee**

Mr. Provenzano has spent over 30 years in the electronic components and design solutions business. He currently is the Vice President of Global Engineering at Arrow Electronics. Prior to his current position, he was President of WPG Americas and from July 2002 until July 2005, Mr. Provenzano served as Senior Vice President and Regional President of Memec Americas (now AVNET Electronics Company). From 1997 until 2002, he was President and Chief Executive Officer of Memec Insight, Inc.

Mr. Provenzano holds a B.A. from the University of California, Santa Barbara and an M.B.A. from Pepperdine University.

Mr. Provenzano is currently working in the hardware, computer and electronics industry and brings to the board a long career and deep knowledge of the electronics hardware business, sourcing, manufacturing and finance. Mr. Provenzano is a valuable and strategic member of the GTX Board and brings direct expertise in operations, contract negotiations, human resource recruiting and management.



## **Director Qualifications and Diversity**

Our Board of Directors has not adopted a formal policy with regard to the consideration of diversity when evaluating candidates for election to the Board. However, our Board believes that membership should reflect diversity in its broadest sense, but should not be chosen nor excluded based on race, color, gender, national origin or sexual orientation. In this context, the Board does consider a candidate's experience, education, industry knowledge, history with the Company, and differences of viewpoint when evaluating his or her qualifications for election to the Board.

Whenever our Board evaluates a potential candidate, the Board considers that individual in the context of the composition of the Board as a whole.

The standards that our Board considers in selecting candidates (although candidates need not possess all of the following characteristics, and not all factors are weighted equally) include the director's or nominee's, Industry knowledge and contacts in industries served by the Company, independent judgment, ability to broadly represent the interests of all stockholders and other constituencies, maturity and experience in policy making decisions, business skills, background and relevant expertise that are useful to the company and its future needs, and other factors determined to be relevant by the Board.

## **Family Relationships**

There are no family relationships among the Company's directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

## **Code of Business Conduct and Ethics.**

We have adopted a Code of Business Conduct and Ethics (the "Code") that applies to our directors, officers and employees, including our principal executive officer and principal financial and accounting officer. A copy of our code of ethics will be furnished without charge to any person upon written request. Requests should be sent to: Secretary, GTX Corp, 117 W. 9th Street, #1214 Los Angeles, California 90015.

**Compliance with Section 16(a) of the Exchange Act.**

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than 10% of a registered class of the company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission ( SEC ). Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of reporting forms received by the company, the company believes that the following Forms 4 were not filed as required under Section 16(a) of the Securities Exchange Act of 1934:

On October 15, 2015, Form 4s for each director for the issuances: Patrick Bertagna 500,000 shares, Andrew Duncan 500,000 shares, Louis Rosenbaum 500,000 shares and Christopher Walsh 500,000 shares.

**ITEM 11.****EXECUTIVE COMPENSATION**

Summary Compensation Table. The following table sets forth the compensation for the fiscal years ended December 31, 2015 and 2014 for services rendered to us by all persons who served as our Chief Executive Officer and our Chief Financial Officer and most highly compensated executive officers other than our Chief Executive Officer and Chief Financial Officer (collectively, the Named Executive Officers ) who received compensation in excess of \$100,000 in 2015.

**Summary Compensation Table**

Name and Principal Position	Fiscal Year Ended	Salary	Bonus	Stock Awards	Option Awards	All Other Compensation	Total
	12/31	(\$)	(\$)	(\$)	(\$)	(\$) <sup>(3)</sup>	(\$)
Patrick Bertagna <sup>(1)</sup>	2015	150,000	40,000	22,475		15,000	227,475
	2014	150,000		22,850		10,060	182,910
Alex McKean <sup>(2)</sup>	2015	24,000		2,750			26,750
	2014	10,000					10,000

- (1) Mr. Bertagna, our Chief Executive Officer has agreed to accrue portions of his salary in an effort to preserve cash for other working capital needs of the Company. As of December 31, 2015, Mr. Bertagna was owed \$221,467 for accrued wages. On February 9, 2015, Mr. Bertagna was granted 250,000 shares of common stock valued at \$0.01 per share and on October 15, 2015 another 500,000 shares of common stock as compensation for his attendance of Board Meetings. Mr. Bertagna was granted 875,000 shares of common stock valued at \$0.015 per share as payment of accrued wages related to 2014.
- (2) Mr. McKean, our Chief Financial Officer has agreed to accrue portions of his salary in an effort to preserve cash for other working capital needs of the Company. As of December 31, 2015 and 2014, \$31,336 and \$19,670 was owed to Mr. McKean for his services as our Interim Chief Financial Officer. Mr. McKean was granted 250,000 shares of common stock valued at \$0.01 per share on October 15, 2015 for his services.
- (3) The values shown in this column include additional employee benefits paid including travel, health insurance, auto lease payments and cellular phone service.

### **Outstanding Equity Awards**

None.

### **Long-Term Incentive Plans**

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers.

## Director Compensation

We have no formal plan for compensating our directors for their service in their capacity as directors although such directors are expected to receive shares of common stock and/or options in the future to purchase common shares as awarded by our Board of Directors or (as to future options) a Compensation Committee which may be established in the future. Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our Board of Directors. Our Board of Directors may award special remuneration to any director undertaking any special services on behalf of our company other than services ordinarily required of a director.

The following table summarizes the compensation of each of our directors who is not also a named executive officer for their service as a director for the year ended December 31, 2015. The compensation of Mr. Bertagna, who serves as a director and as our Chief Executive Officer, is described above in the Summary Compensation Table.

### DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings		All Other Compensation (\$)	Total (\$)
Louis Rosenbaum <sup>(1)</sup>	--	8,475	--	N/A	N/A	N/A	N/A	8,475
Andrew Duncan <sup>(2)</sup>	--	8,475	--	N/A	N/A	N/A	N/A	8,475
Greg Provenzano	--	8,475	--	N/A	N/A	N/A	N/A	8,475
Patrick Aroff <sup>(3)</sup>	--	3,475	--	N/A	N/A	N/A	N/A	3,475
Christopher Walsh <sup>(4)</sup>	--	5,000	--	N/A	N/A	N/A	N/A	5,000

(1)

Mr. Rosenbaum has provided consulting services to the Company in previous years. During 2015, Mr. Rosenbaum was granted 875,000 shares of common stock valued at \$14,000 as payment for consulting services earned in 2014. Additionally, Mr. Rosenbaum earned \$80,000 in 2015 relating to services of which \$48,875 remained accrued as of December 31, 2015.

(2)

Mr. Duncan also provides consulting services to the Company. During 2015, Mr. Duncan was granted 1,312,500 shares of common stock valued at \$21,000 as payment for consulting services earned in 2014. Additionally, Mr. Duncan earned \$96,000 in 2015 relating to services of which \$51,125 remained accrued as of December 31, 2015.

(3)

Mr. Aroff, was granted 250,000 shares of common stock valued at \$3,475 as payment for his time as a director in 2015 prior to his resigning on June 30, 2015.

(4)

Mr. Walsh, was granted 500,000 shares of common stock valued at \$5,000 as payment for his time as a director in 2015 after his appointment on July 1, 2015.

On February 9, 2015, we issued 250,000 shares of common stock to each of our board of directors (total of 1,250,000 shares, valued at \$17,375) as compensation for their attendance at a board meeting.

On October 15, 2015, we issued 500,000 shares of common stock to each of our board of directors (total of 2,500,000 shares, valued at \$25,000) as compensation for their attendance at a board meeting.

## Employment Agreements

The following are summaries of the employment agreements with the Company's executive officers:

Patrick E. Bertagna, our Chief Executive Officer and President, is employed pursuant to a written agreement dated as of March 14, 2008. The agreement was for a term of two years, but contained a provision under which the agreement is automatically extended for additional one-year periods unless either party provides written notice to the contrary at least 60 days prior to the end of the term then in effect. As such, Mr. Bertagna receives a base salary of \$150,000 per year; however, in order to preserve cash for other working capital needs, Mr. Bertagna has agreed to accrue portions of his salary in the past and he is continuing to do so in 2015. He is entitled to adjustments to his base salary based on certain performance standards, at the Company's discretion, as follows: (i) a bonus in an amount not less than fifteen percent (15%) of yearly salary, to be paid in cash or stock, if the Company has an increase in annual revenues and Mr. Bertagna performs his duties within the time frame budgeted for such duties at or below the cost budgeted for such duties and (ii) a bonus, to be paid in cash or stock at the Company's sole discretion, equal to \$12,500 for every one million of the Company's outstanding common stock purchase warrants that are exercised.

Mr. Bertagna may also participate in any and all benefits and perquisites as are generally provided for the benefit of executive employees. The agreement terminates on his death, incapacity (after 180 days), resignation or cause as defined in the agreement. If he is terminated without cause, he is entitled to base salary, including back salary owed, all bonuses otherwise applicable, and medical benefits for twelve months.

Alex McKean, was the Company's Interim Chief Financial Officer from October 3, 2011, and was appointed full-time in 2015. He is not employed pursuant to a formal employment agreement.

## 2008 Equity Compensation Plan

We have adopted an equity incentive plan, the 2008 Equity Compensation Plan (the "2008 Plan"), pursuant to which we are authorized to grant options, restricted stock, unrestricted stock, and stock appreciation rights to purchase up to 7,000,000 shares of common stock to our employees (as such term is defined in the 2008 Plan), officers, directors and consultants. Awards under the 2008 Plan may consist of stock options (both non-qualified options and options intended to qualify as "Incentive Stock Options" under Section 422 of the Internal Revenue Code of 1986, as amended), restricted and unrestricted stock awards and stock appreciation rights.

The 2008 Plan is administered by our Board of Directors or a committee appointed by the Board (the "Committee"). If appointed by the Board, the committee would consist of at least two members of the Board whose members shall,

from time to time, be appointed by the Board. The Committee has the authority to interpret the 2008 Plan, to prescribe, amend, and rescind rules and regulations relating to it, to determine the persons to whom awards will be granted, the type of award to be granted, the number of awards to be granted, and the terms and provisions of stock options granted pursuant to the 2008 Plan, including the vesting thereof, subject to the provisions of the 2008 Plan, and to make all other determinations necessary or advisable for the administration of the 2008 Plan.

The 2008 Plan provides that the purchase price of each share of common stock subject to an incentive stock option may not be less than 100% of the fair market value (as such term is defined in the 2008 Plan) of a share of our common stock on the date of grant (or not less than 110% of the fair market value in the case of a grantee holding more than 10% of our outstanding common stock). The aggregate fair market value (determined at the time the option is granted) of the common stock with respect to which incentive stock options are exercisable for the first time by the employee during any calendar year (under all such plans of the grantee's employer corporation and its parent and subsidiary corporation) shall not exceed \$100,000. No incentive stock option shall be exercisable later than the tenth anniversary of its grant; provided, however, that an incentive stock option granted to an employee holding more than 10% of our outstanding common stock shall not be exercisable later than the fifth anniversary of its grant.

The Committee shall determine the purchase price of each share of common stock subject to a non-qualified stock option. Such purchase price, however, shall not be less than 100% of the fair market value of the common stock on the date of grant. No non-qualified stock option shall be exercisable later than the tenth anniversary of its grant.

The plan also permits the grant of stock appreciation rights in connection with the grant of an incentive stock option or a non-qualified stock option, or unexercised portion thereof held by the grantee. The grant price of a stock appreciation right shall be at least at the fair market value of a share on the date of grant of the stock appreciation right, and be subject to such terms and conditions, not inconsistent with the provisions of the 2008 Plan, as shall be determined by the Committee. Each stock appreciation right may include limitations as to the time when such stock appreciation right becomes exercisable and when it ceases to be exercisable, which may be more restrictive than the limitations on the exercise of the stock option to which it relates. No stock appreciation right shall be exercisable with respect to such related stock option or portion thereof unless such stock option or portion shall itself be exercisable at that time. A stock appreciation right shall be exercised only upon surrender of the related stock option or portion thereof in respect of which the stock appreciation right is then being exercised. Upon the exercise of a stock appreciation right, a grantee shall be entitled to receive an amount equal to the product of (i) the amount by which the fair market value of a share of common stock on the date of exercise of the stock appreciation right exceeds the option price per share specified in the related incentive or non-qualified stock option and (ii) the number of shares of common stock in respect of which the stock appreciation right shall have been exercised. Further, a stock appreciation right shall be exercisable during the grantee's lifetime only by the grantee.

The 2008 Plan also provides us with the ability to grant shares of common stock that are subject to certain transferability, forfeiture or other restrictions. The recipient of restricted stock grants, the type of restriction, the number of shares of restricted stock granted and other such provisions shall be determined by the Committee. The Board, in good faith and in its sole discretion, shall determine the fair market value with regards to awards of restricted stock.

The 2008 Plan also provides us with the ability to grant shares of unrestricted stock. The Committee shall determine and designate from time to time those persons who are to be granted unrestricted stock and number of shares of common stock subject to such grant. The Board, in good faith and in its sole discretion, shall determine the fair market value with regards to awards of unrestricted stock. The grantee shall hold common stock issued pursuant to an unrestricted stock award free and clear of all restrictions, except as otherwise provided in the 2008 Plan.

Unless otherwise determined by the Committee, awards granted under the 2008 Plan are not transferable other than by will or by the laws of descent and distribution.

The 2008 Plan provides that in the event of a merger or change of control, the Committee may substitute stock options, stock awards and stock appreciation rights of the acquired company. Alternatively, the Committee may provide that the stock options, stock awards and stock appreciation rights shall terminate following notice by the Committee.

The Board may, at any time, alter, amend, suspend, discontinue, or terminate the 2008 Plan; provided, however, that such action shall not adversely affect the right of grantees to stock awards or stock options previously granted and no amendment, without the approval of the stockholders of the Corporation, shall increase the maximum number of



shares which may be awarded under the 2008 Plan in the aggregate, materially increase the benefits accruing to grantees under the 2008 Plan, change the class of employees eligible to receive options under the 2008 Plan, or materially modify the eligibility requirements for participation in the 2008 Plan.

**ITEM 12.****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information as of April 14, 2016, regarding the beneficial ownership of our common stock by (i) each stockholder known by us to be the beneficial owner of more than five percent of our common stock, (ii) by each of our executive officers named in the Summary Compensation Table and our directors and (iii) by all of our executive officers and directors as a group. Each of the persons named in the table has sole voting and investment power with respect to common stock beneficially owned. Unless otherwise noted in the table, the address for each of the persons identified is 117 W 9<sup>th</sup> Street; Suite 1214, Los Angeles, CA 90015. Beneficial ownership is calculated based upon 372,104,874 shares of common stock issued and outstanding as of April 14, 2016.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Common Stock
Patrick E. Bertagna CEO and Chairman of the Board	22,497,045 shares	6.05%
Alex McKean Interim Chief Financial Officer	2,773,864 shares	0.75%
Louis Rosenbaum <sup>(2)</sup> VP of Operations & Finance, Director	8,742,279 shares	2.35%
Andrew Duncan Director, Corporate Secretary and Treasurer	13,062,943 shares	3.51%
Greg Provenzano Director	2,131,908 shares	0.57%
Christopher Walsh Director	4,561,836 shares	1.23%
All directors and named executive officers as a group (6 persons)	53,769,875 shares	14.45%

**Other greater than 5% ownership Shareholders**

Atlantic Footcare, Inc.

229 Quaker Highway

22,523,226 shares

6.05%

North Smithfield, RI 02896

(1)

Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding.

(2)

The 8,742,279 shares beneficially owned include 8,492,279 shares of common stock and 250,000 stock options.

Changes in Control. We are not aware of any arrangements which may result in changes in control as that term is defined by the provisions of Item 403 of Regulation S-K.

**ITEM 13.**

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Director Independence. One of our five directors is independent within the definition of independence as defined in the Nasdaq rules governing members of boards of directors.

Related Party Transactions. There have been no related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 of Securities and Exchange Commission Regulation S-K.

With regard to any future related party transaction, we plan to fully disclose any and all related party transactions in the following manner:

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disclosing such transactions in reports where required;

.

disclosing in any and all filings with the SEC, where required;

.

obtaining disinterested directors consent; and

.

obtaining stockholder consent where required.

**ITEM 14.**

**PRINCIPAL ACCOUNTING FEES AND SERVICES.**

The Audit Committee has appointed LBB & Associates Ltd., LLP as our independent registered public accounting firm. The following table shows the fees that were paid or accrued by us for audit and other services provided by

LBB &amp; Associates Ltd., LLP:

	2015	2014
Audit Fees <sup>(1)</sup>	\$ 43,600	\$ 32,000
Audit-Related Fees <sup>(2)</sup>	-	-
Tax Fees <sup>(3)</sup>	-	-
All Other Fees	-	-
Total	\$ 43,600	\$ 32,000

(1)

Audit fees represent fees for professional services provided in connection with the audit of our annual financial statements and the review of our quarterly financial statements and those services normally provided in connection with statutory or regulatory filings or engagements including comfort letters, consents and other services related to SEC matters. This information is presented as of the latest practicable date for this annual report.

(2)

Audit-related fees represent fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and not reported above under Audit Fees. This category primarily includes services relating to our Registration Statement filed with the Securities Exchange Commission during 2011.

(3)

LBB & Associates Ltd., LLP does not provide us with tax compliance, tax advice or tax planning services.

All audit related services, tax services and other services rendered by LBB & Associates Ltd., LLP were pre-approved by our Board of Directors or Audit Committee. The Audit Committee has adopted a pre-approval policy that provides for the pre-approval of all services performed for us by LBB & Associates Ltd., LLP. The policy authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. Pursuant to this policy, the Board delegated such authority to the Chairman of the Audit Committee.

**PART IV****ITEM 15.****EXHIBITS AND FINANCIAL STATEMENT SCHEDULES****EXHIBIT INDEX**

The Company's financial statements and related notes thereto are listed and included in this Annual Report beginning on page F-1. The following exhibits are filed with, or are incorporated by reference into, this Annual Report.

Exhibit Number	Description
3.1	Articles of Incorporation of the Registrant filed with the State of Nevada on April 7, 2006 <sup>(2)</sup>
3.2	Amended and Restated Bylaws of the Registrant <sup>(3)</sup>
4.1	2008 Equity Compensation Plan <sup>(7)</sup>
10.1	Employment Agreement between the Registrant and Patrick E. Bertagna dated March 14, 2008 <sup>(3)</sup>
10.2	Employment Agreement between the Registrant and Christopher M. Walsh dated March 14, 2008 <sup>(3)</sup>
10.4	Registration Rights Agreement, dated November 16, 2009, between the Registrant and Dutchess Equity Fund, LP. <sup>(6)</sup>
10.5	Form of Securities Purchase Agreement (August 2011 Private Placement) <sup>(8)</sup>
10.6	Form of Warrant Agreement (August 2011 Private Placement) <sup>(8)</sup>
10.7	Form of Subscription Application (August 2011 Private Placement) <sup>(8)</sup>
10.8	Securities Purchase Agreement by and between GTX Corp and 112359 Factor Fund, LLC, dated September 19, 2013 <sup>(9)</sup>
10.9	Secured Amended & Restated Convertible Debenture by and between GTX Corp and 112359 Factor Fund, LLC, dated September 19, 2013, in principal amount of \$123,394 <sup>(9)</sup>
10.10	Secured Convertible Debenture by and between GTX Corp and 112359 Factor Fund, LLC, dated September 19, 2013, in the principal amount of \$200,000 <sup>(9)</sup>
10.11	Secured Convertible Debenture by and between GTX Corp and 112359 Factor Fund, LLC, dated September 19, 2013, in the principal amount of \$901,000 <sup>(9)</sup>
10.12	Security Agreement by and between GTX Corp and its subsidiaries and 112359 Factor Fund, LLC, dated September 19, 2013 <sup>(9)</sup>
10.13	Pledge Agreement by and between Patrick Bertagna, GTX Corp and 112359 Factor Fund, LLC, dated September 19, 2013 <sup>(9)</sup>
10.14	Form of Note and Share Purchase Agreement (Q4 2014 and Q1 2015) <sup>(1)</sup>
10.15	Form of Convertible Promissory Note (Q4 2014 and Q1 2015) <sup>(1)</sup>
10.16	Form of Warrant Agreement (Q1 2015) <sup>(1)</sup>

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14.1	Code of Business Conduct and Ethics <sup>(3)</sup>
21.1	Subsidiaries <sup>(1)</sup>
23.1	Consent of LBB & Associates Ltd., LLP <sup>(1)</sup>
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act <sup>(1)</sup>
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act <sup>(1)</sup>
32.1	Certification Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002 <sup>(1)</sup>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Labels
101.PRE	XBRL Taxonomy Extension Presentation

- (1) Filed herewith.
- (2) Incorporated by reference to the Registrant's Registration Statement on Form SB-2 as filed December 12, 2006.
- (3) Incorporated by reference to the Registrant's Current Report on Form 8-K dated March 20, 2008.
- (4) Incorporated by reference to the Registrant's Annual Report on Form 10-K dated March 20, 2009.
- (5) Incorporated by reference to the Registrant's Current Report on Form 8-K dated November 18, 2009.
- (6) Incorporated by reference to the Registrant's Current Report on Form 8-K dated March 17, 2010.
- (7) Previously filed on May 22, 2008 as an exhibit to our Registration Statement on Form S-8, File No. 333-151114 and incorporated herein by reference.
- (8) Previously filed on October 3, 2011 as part of the Registrant's Registration Statement on Form S-1 (File No. 333-177146) and incorporated herein by reference.
- (9) Incorporated by reference to the Registrant's Current Report on Form 8-K dated September 25, 2013.



**Signatures**

In accordance with Section 13 or 15(d) of the Exchange Act, the company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**GTX Corp**

**(Registrant)**

Date: April 14, 2016 By: */s/ Patrick E. Bertagna*  
 Patrick E Bertagna  
 Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
<i>/s/ Patrick E. Bertagna</i>	Chief Executive Officer and Director (Principal Executive Officer)	April 14, 2016
<i>/s/ Alex McKean</i>	Chief Financial Officer (Principal Accounting Officer)	April 14, 2016
<i>/s/ Christopher Walsh</i>	Director	April 14, 2016
<i>/s/ Louis Rosenbaum</i>	Director, VP of Operations and Finance	April 14, 2016
<i>/s/ Greg Provenzano</i>	Director	April 14, 2016
<i>/s/ Andrew Duncan</i>	Director , Treasurer, Secretary	April 14, 2016



LBB & ASSOCIATES LTD., LLP

10260 Westheimer Road, Suite 310

Houston, TX 77042

Phone: (713) 800-4343 Fax: (713) 456-2408

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors of

GTX Corp

Los Angeles, CA

We have audited the accompanying consolidated balance sheets of GTX Corp (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2015. GTX Corp's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of GTX Corp as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company's recurring losses from operations and its likely need for additional financing in order to meet its financial obligations raise substantial doubt about its ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ LBB & Associates Ltd., LLP*

LBB & Associates Ltd., LLP

Houston, Texas

April 14, 2016

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**GTX CORP AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

	<b>December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2014</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 7,868	\$ 12,168	12,168
Accounts receivable, net	40,984	31,134	31,134
Inventory	57,643	100,366	100,366
Other current assets	54,477	15,559	15,559
<b>Total current assets</b>	<b>160,972</b>	<b>159,227</b>	<b>159,227</b>
Property and equipment, net	131,792	3,120	3,120
Intangible assets	15,972	121,602	121,602
<b>Total assets</b>	<b>\$ 308,736</b>	<b>\$ 283,949</b>	<b>283,949</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 438,960	\$ 564,821	564,821
Accrued expenses - related parties	291,451	328,050	328,050
Deferred revenues	2,775	77,564	77,564
Convertible promissory note, net of discount	556,250	371,451	371,451
Derivative liabilities	-	13,490	13,490
<b>Total current liabilities</b>	<b>1,289,436</b>	<b>1,355,376</b>	<b>1,355,376</b>
Long-term convertible debt	200,000	-	-
<b>Total liabilities</b>	<b>1,489,436</b>	<b>1,355,376</b>	<b>1,355,376</b>
Commitments and contingencies			
<b>Stockholders deficit:</b>			
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	-	-	-
Common stock, \$0.001 par value; 2,071,000,000 shares authorized; 355,431,281 and 264,620,555 shares issued and outstanding at December 31, 2015 and 2014, respectively	355,431	264,620	264,620
Additional paid-in capital	16,982,932	15,903,308	15,903,308

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Accumulated deficit	(18,519,063)	(17,239,355)
Total stockholders' deficit	(1,180,700)	(1,071,427)
Total liabilities and stockholders' deficit	\$ 308,736	\$ 283,949

See accompanying notes to consolidated financial statements.

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**GTX CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Revenues	\$ 449,254	\$ 138,336
Cost of goods sold	300,038	74,843
Gross margin	149,216	63,493
Operating expenses		
Wages and benefits	873,942	408,720
Professional fees	337,536	358,700
Impairment of capitalized assets	-	10,000
General and administrative	227,467	268,353
Total operating expenses	1,438,945	1,045,773
Loss from operations	(1,289,729)	(982,280)
Other income (expenses)		
Gain (loss) on extinguishment of debt	105,192	(513,336)
Derivative income (expense)	13,490	(299,716)
Interest expense	(108,661)	(8,158)
Total other income (expenses)	10,021	(821,210)
Net loss	\$ (1,279,708)	\$ (1,803,490)
Weighted average number of common shares outstanding - basic and diluted	318,672,595	163,270,525
Net loss per common share - basic and diluted	\$ (0.00)	\$ (0.01)

See accompanying notes to consolidated financial statements.

**GTX CORP**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

	Preferred Stock	Common Stock		Additional	Accumulated	Total		
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit		
<b>Balance, December 31, 2013</b>	-	\$	-	131,352,518	\$ 131,352	\$14,009,430	\$(15,435,865)	\$(1,295,083)
Issuance of common stock for services	-	-	-	12,941,176	12,941	152,646	-	165,587
Issuance of common stock for accrued expenses	-	-	-	4,908,000	4,908	80,364	-	85,272
Issuance of common stock for conversion of debt	-	-	-	115,418,861	115,419	1,660,868	-	1,776,287
Net loss	-	-	-	-	-	-	(1,803,490)	(1,803,490)
<b>Balance, December 31, 2014</b>	-	-	-	264,620,555	264,620	15,903,308	(17,239,355)	(1,071,427)
Issuance of common stock for services	-	-	-	42,600,000	42,600	474,603	-	517,203
Issuance of common stock for accrued expenses	-	-	-	12,562,500	12,563	220,437	-	233,000
Issuance of common stock for conversion of debt	-	-	-	35,523,226	35,523	384,709	-	420,232
Issuance of common stock for financing	-	-	-	125,000	125	(125)	-	-
Net loss	-	-	-	-	-	-	(1,279,708)	(1,279,708)
<b>Balance, December 31, 2015</b>	-	\$	-	355,431,281	\$ 355,431	\$16,982,932	\$(18,519,063)	\$(1,180,700)

See accompanying notes to consolidated financial statements.



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**GTX CORP AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Cash flows from operating activities		
Net loss	\$ (1,279,708)	\$ (1,803,490)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,172	7,747
Bad debt expense	629	-
Impairment of capitalized assets	-	10,000
Stock-based compensation	517,203	165,587
(Gain) loss on extinguishment of debt	(105,192)	513,336
Derivative (income) expense	(13,490)	299,716
Amortization of debt discount	90,802	-
Changes in operating assets and liabilities:		
Accounts receivable	(10,479)	(29,242)
Inventory	42,723	(99,600)
Other current and non-current assets	(38,918)	6,550
Accounts payable and accrued expenses	(13,940)	232,060
Accrued expenses - related parties	215,901	107,072
Deferred revenues	(74,789)	58,573
Net cash used in operating activities	(666,086)	(531,691)
Cash flows from investing activities		
Purchase of intangible assets	(21,400)	-
Purchase of property and equipment	(4,814)	(3,145)
Net cash used in investing activities	(26,214)	(3,145)
Cash flows from financing activities		
Proceeds from convertible debt	705,000	486,250
Payments on convertible debt	(17,000)	-
Payments on short-term debt - related party	-	(4,000)
Net cash provided by financing activities	688,000	482,250
Net change in cash and cash equivalents	(4,300)	(52,586)
Cash and cash equivalents, beginning of period	12,168	64,754
Cash and cash equivalents, end of period	\$ 7,868	\$ 12,168

**Supplemental disclosure of cash flow information:**

Income taxes paid	\$	-	\$	-
Interest paid	\$	17,858	\$	-

**Supplemental disclosure of noncash investing and financing activities:**

Issuance of common stock for conversion of debt	\$	420,232	\$	1,776,287
Issuance of debt for intangible assets	\$	-	\$	43,750
Issuance of common stock for accrued expenses	\$	233,000	\$	85,272

See accompanying notes to consolidated financial statements.

## **GTX CORP AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2015**

**1.**

#### **ORGANIZATION AND BASIS OF PRESENTATION**

During the periods covered by these financial statements, GTX Corp and subsidiaries (the Company or GTX ) were engaged in businesses that design, develop and sell various interrelated and complementary products and services in the Personal Location Services marketplace. GTX owns 100% of the issued and outstanding capital stock of Global Trek Xploration ( GTX California ) and LOCiMOBILE, Inc. Until February 2015, GTX also owned 100% of Code Amber News Service, Inc. ( CANS ).

GTX California focuses on hardware, software, connectivity, design and development of Global Positioning System ( GPS ) and Bluetooth Low Energy ( BLE ) monitoring and tracking solutions by providing real-time tracking of the whereabouts of people and high valued assets. Utilizing a miniature quad band GPRS transceiver, antenna, circuitry, battery and inductive charging pad our product(s) can be customized and integrated into numerous products whose location and movement can be monitored in real time over the Internet through our 24x7 tracking portal or on a web enabled cellular telephone. Our core products and services are supported by an IP portfolio of patents, patents pending, registered trademarks, copyrights, URLs and a library of software source code. LOCiMOBILE, Inc., has been at the forefront of Smartphone application ( App ) development since 2008. With a suite of mobile applications that turn the iPhone, iPad, Android and other GPS enabled handsets into a tracking device which can be tracked from handset to handset or through our tracking portal or on any connected device with internet access. LOCiMOBILE has launched numerous Apps across multi mobile device operating systems and continues to launch consumer and enterprise apps. Until its dissolution in February 2015, CANS provided state Amber Alerts throughout the US and Canada via website tickers and news feeds to merchants, internet service providers, affiliate partners, corporate sponsors and local, state and federal agencies.

#### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The accompanying consolidated financial statements reflect the accounts of GTX Corp and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated.

**Going Concern**

The consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred net losses of \$1,279,708 and \$1,803,490 for the years ended December 31, 2015 and 2014, respectively, has incurred losses since inception resulting in an accumulated deficit of \$18,519,063 as of December 31, 2015, and has negative working capital of \$1,128,464 as of December 31, 2015. A significant part of our negative working capital position at December 31, 2015 consisted of \$291,451 of amounts due to officers and management of the Company for accrued wages. The Company anticipates further losses in the development of its business.

The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company's ability to raise additional capital through the future issuances of debt or equity is unknown. The obtainment of additional financing, the successful development of the Company's contemplated plan of operations, or its attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

2.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Revenue Recognition**

Revenues consist primarily of the sale of our GPS tracking devices and the related monthly service fees, the sale of our GPS SmartSole via various pilot programs, the monthly service fee from subscribers of the GPS Shoe, and our mobile tracking applications sold via the Apple iTunes Store and the Google Marketplace.

The Company recognizes revenue from product sales when the product is shipped to the customer and title has transferred. The Company recognizes application revenue when the application is purchased by the customer. The Company assumes no remaining significant obligations associated with the product sale other than that related to its warranty program discussed below. Revenue related to monthly service fees both for the GPS SmartSole, GPS Shoes and GPS tracking devices, licensing agreements and annual subscriptions are recognized over the respective terms of the agreements.

Revenue from multiple-element arrangements is allocated to the elements based on the relative fair value of each element, which is generally based on the relative sales price of each element when sold separately. Each element's allocated revenue is recognized when the revenue recognition criteria for that element have been met. If the Company cannot objectively determine the fair value of any undelivered element included in a multiple-element arrangement, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

### **Allowance for Doubtful Accounts**

We extend credit based on our evaluation of the customer's financial condition. We carry our accounts receivable at net realizable value. We monitor our exposure to losses on receivables and maintain allowances for potential losses or adjustments. We determine these allowances by (1) evaluating the aging of our receivables; and (2) reviewing high-risk customers financial condition. Past due receivable balances are written off when our internal collection efforts have been unsuccessful in collecting the amount due. Our allowance for doubtful accounts was \$0 as of December 31, 2015 and \$4,000 as of December 31, 2014.

### **Shipping and Handling Costs**

Shipping and handling costs are included in cost of goods sold in the accompanying consolidated statements of operations.

### **Product Warranty**

The Company's warranty policy provides repair or replacement of products (excluding GPS Shoe devices) returned for defects within ninety days of purchase. Warranty liabilities are recorded at the time of sale for the estimated costs that may be incurred under our standard warranty. As of December 31, 2015, products returned for repair or replacement have been immaterial. Accordingly, a warranty liability has not been deemed necessary.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Fair Value Estimates**

Pursuant to the Accounting Standards Codification (ASC) No. 820, *Disclosures About Fair Value of Financial Instruments*, the Company records its financial assets and liabilities at fair value. ASC No. 820 provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. ASC No. 820 establishes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 -

Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 -

Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset/liability's anticipated life.

Level 3 -

Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The carrying values for cash and cash equivalents, accounts receivable, other current assets, accounts payable and accrued liabilities approximate their fair value due to their short maturities.

**Reclassifications**

For comparability, certain prior period amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2015.

**Cash and Cash Equivalents**

Cash equivalents consist of highly liquid investments with insignificant rate risk and with original maturities of three months or less at the date of purchase.

**Inventory**



Inventory generally consists of raw materials and finished goods and is valued at the lower of cost (first-in, first-out) or net realizable value. The Company evaluates its inventory for excess and obsolescence on a regular basis. In preparing the evaluation the Company looks at the expected demand for the product, as well as changes in technology, in order to determine whether or not a reserve is necessary to record the inventory at net realizable value. For the years ending December 31, 2015 and 2014 the Company did not recognize any charges to expense associated with excess and obsolete inventory cost adjustments.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated two year useful lives of the assets. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Expenditures for maintenance and repairs are expensed as incurred.

### ***Website Development***

Under ASC 350-50 *Intangibles - Goodwill and Other - Website Development Costs*, costs and expenses incurred during the planning and operating stages of the Company's website development are expensed as incurred. The Company accounts for the development of its website by expensing all costs associated with the planning of the website as incurred and capitalizing the costs to develop the website. Depreciation is calculated using the straight-line method over the estimated two year useful lives of the assets.

### ***Software Development Costs***

Software development costs include payments made to independent software developers under development arrangements primarily for the development of our smart-phone mobile applications ( Apps ). Software development costs are capitalized once technological feasibility of a product is established and it is determined that such costs should be recoverable against future revenues. For products where proven technology exists, this may occur early in the development cycle. Technological feasibility is evaluated on a product-by-product basis. Amounts related to software development that are not capitalized are charged immediately to product research and development costs.

Commencing upon the related product's release, capitalized software development costs are amortized to cost of sales based upon the higher of (i) the ratio of current revenue to total projected revenue or (ii) the straight-line method. The recoverability of capitalized software development costs is evaluated based on the expected performance of the specific products for which the costs relate. The following criteria are used to evaluate expected product performance: historical performance of comparable products using comparable technology and orders for the product prior to its

release.

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Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established, as well as in the ongoing assessment of the recoverability of capitalized costs. If revised forecasted or actual product sales are less than and/or revised forecasted or actual costs are greater than the original forecasted amount utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge.

### **Intangible Assets**

The Company records identifiable intangible assets acquired from other enterprises or individuals at cost. Intangible assets consist of a licensing agreement enabling the Company to sell its GPS-related vehicle tracking software and services. As of December 31, 2015 and 2014, the Company had capitalized \$15,000 and \$120,630 related to intangible assets, respectively. During the current year ended December 31, 2015, the Company reclassified \$127,030 to software development.

### **Derivative Instruments**

Our debt or equity instruments may contain embedded derivative instruments, such as conversion options, which in certain circumstances may be required to be bifurcated from the associated host instrument and accounted for separately as a derivative instrument liability.

Our derivative instrument liabilities are re-valued at the end of each reporting period, with changes in the fair value of the derivative liability recorded as charges or credits to income, in the period in which the changes occur. For bifurcated conversion options that are accounted for as derivative instrument liabilities, we determine the fair value of these instruments using the Black-Scholes option pricing model. This model requires assumptions related to the remaining term of the instrument and risk-free rates of return, our current Common Stock price and expected dividend yield, and the expected volatility of our Common Stock price over the life of the option.

### **Net Loss Per Common Share**

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock and potentially outstanding shares of common stock during each period. There were no dilutive shares outstanding as of December 31, 2015 and 2014. Common stock equivalents, totaling 81,434,946 and 2,452,493 at December 31, 2015 and 2014, respectively, were not included in the computation of diluted earnings per share in 2015 and 2014 on the consolidated statements of operations due to the fact that the

Company reported a net loss in 2015 and 2014 and to do so would be anti-dilutive for that period.

### **Income Taxes**

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized by applying the statutory tax rates in effect in the years in which the differences between the financial reporting and tax filing bases of existing assets and liabilities are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

### **Stock-based Compensation**

Stock-based compensation expense is recorded for stock and stock options awarded in return for services rendered. The expense is measured at the grant-date fair value of the award and recognized as compensation expense on a straight-line basis, which is generally commensurate with the vesting period. The Company estimates forfeitures that it expects will occur and records expense based upon the number of awards expected to vest.

### **Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2014-09, *Revenue From Contracts With Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will be effective for the Company on January 1, 2017. Early application is not permitted. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method nor has it determined the potential effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosure. The new standard is effective for the fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption standard is not expected to have a material impact on our financial statements.

There were other updates recently issued, most of which represented technical clarifications and corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

3.

**RELATED PARTY TRANSACTIONS**

In order to preserve cash for other working capital needs various officers, members of management and Board Members agreed to accrue portions of their wages since 2011. As of December 31, 2015 and 2014, the Company owed \$291,451 and \$328,050, respectively, for such accrued wages.

4.

**INVENTORY**

Inventories consist of the following:

		<b>December 31,</b>		
		<b>2015</b>		<b>2014</b>
Raw materials	\$	51,768	\$	99,490
Finished goods		5,875		876
Total Inventories	\$	57,643	\$	100,366

5.

**PROPERTY AND EQUIPMENT**

Property and equipment, net, consists of the following:

		<b>December 31,</b>		
		<b>2015</b>		<b>2014</b>
Computer and office equipment	\$	86,821	\$	86,265
Software		18,744		18,744
Website development		192,729		189,627
Software development		202,834		74,648
Less: accumulated depreciation		(369,336)		(366,164)
 Total property and equipment, net	 \$	 131,792	 \$	 3,120

Depreciation expense for the years ended December 31, 2015 and 2014 was \$3,172 and \$7,747, respectively.

6.

### **CONCENTRATIONS**

We currently rely on one manufacturer to supply us with our GPS SmartSole and one manufacturer to supply us with the GPS device included in the GPS SmartSole. The loss of either of these manufacturers could severely impede our ability to manufacture the GPS SmartSole.

During the year ended December 31, 2015, the Company's customer base was comprised of approximately a dozen B2B wholesale distributors, representing 54% of our annual revenues and 34% B2C with hundreds of individual consumers who bought through our online ecommerce store. The Company had two customers representing approximately 17% and 13%, respectively, of sales and one customer representing approximately 10% of total accounts receivable for the year ended December 31, 2015. The Company had one customer representing approximately 41% of sales and one customer representing approximately 76% of total accounts receivable for the year ended December 31, 2014.

7.

**DEBT**

The following table summarizes the components of our short-term borrowings:

	<b>December 31, 2015</b>		<b>December 31, 2014</b>	
Atlantic Note	\$	-	\$	200,000
Q4 2014 Convertible Notes		126,000		201,000
Q1 2015 Convertible Notes		150,000		-
Q2 2015 Convertible Notes		200,000		-
Q3 2015 Convertible Notes		84,000		-
Q4 2015 Convertible Notes		196,250		-
Total short-term convertible notes		756,250		401,000
Less: Debt discount		-		(29,549)
Convertible notes, net of debt discount	\$	756,250	\$	371,451
Short-term borrowings	\$	556,250	\$	371,451
Long-term borrowings	\$	200,000	\$	-
Short-term derivative liabilities	\$	-	\$	13,490

***Short-term convertible notes******Atlantic Agreement and SPA***

On July 12, 2013, the Company entered into an Exclusive Manufacturing Agreement (the *Agreement*) with Atlantic Footcare, Inc., a Rhode Island corporation ( *Atlantic* ) whereby Atlantic would be the Company's exclusive manufacturer of its new shoe insole to be used with our embedded GPS devices. In conjunction with the Agreement, on July 24, 2013 (the *Closing* ), we also entered into a Security Purchase Agreement (the *SPA* ) with Atlantic. Pursuant to the SPA, Atlantic has committed to purchase (A) a convertible promissory note (the *Atlantic Note* ) in the original principal amount of \$200,000, accruing 6% interest per annum, and maturing on November 13, 2014, and (B) a warrant to purchase shares of the Company's common stock, par value \$0.001 per share (the *Warrant* ). Atlantic had the right at any time elect to convert all of the entire outstanding principal amount of the Atlantic Note plus the accrued interest into 12% of the Company's issued and outstanding common stock immediately following the issuance thereof, multiplied by a fraction, the numerator of which is the principal amount of the Atlantic Note then outstanding and the denominator of which is \$200,000.

On March 3, 2015, Atlantic converted the Atlantic Note and Warrant into 12% of the Company's outstanding shares of common stock, effective as of November 13, 2014. As a result, the Company issued 22,523,226 share of our common stock, valued at \$225,232, to Atlantic as conversion of the \$200,000 convertible note plus accrued interest of approximately \$13,000. The shares issued represented full satisfaction of the Atlantic Note and Warrant.

If Atlantic is unable to dispose of the shares of common stock into which the Atlantic Note and Warrant has been converted (the Registrable Shares) under Rule 144 as promulgated by the SEC under the Securities Act of 1933, as amended Atlantic may request that the Company file a Form S-1 registration statement or Form S-3 registration statement (if applicable) with respect to one hundred percent (100%) of the Registrable Shares then outstanding, then the Company shall, as soon as practicable, and in any event within sixty (60) days after the date such request is given by Atlantic, file a registration statement under the Securities Act covering all Registrable Shares that Atlantic requested to be registered.

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### *Convertible Notes*

During the fourth quarter of 2014 we entered into 10 separate note and share purchase agreements with 10 independent accredited investors. As a result, we have issued ten convertible notes with a total principal balance of \$201,000 (the Q4 2014 Convertible Notes ) and granted 1,675,000 shares of common stock ( Q4 2014 Stock ) of which 250,000 remained to be issued at December 31, 2015. In exchange for the Q4 2014 Convertible Notes and Q4 2014 Stock, we received cash proceeds of \$167,500. The Q4 2014 Convertible Notes carry an original issue discount of 17%, mature on December 31, 2015 and are convertible into common stock of the Company at \$0.015 per share, subject to adjustment and mandatory conversion. The Q4 2014 Stock was valued at the fair market value of \$16,750 and is recorded as finance costs in Additional Paid in Capital at December 31, 2014. In addition to the 2014 and 2015 Convertible Notes, a total of 2,175,000 additional shares of the Company s common stock will be issued to the investors if the 2014 and 2015 Convertible Notes are not repaid or converted prior to June 30, 2015. As of December 31, 2015, one noteholder had been issued 125,000 shares of common stock, four noteholders had converted their notes and the rest have not requested their additional shares.

During the first quarter of 2015, we entered into note and share purchase agreements with 3 independent accredited investors. As a result, we issued convertible notes with a total principal balance of \$270,000 (the Q1 2015 Convertible Notes ) and issued 2,250,000 shares of common stock ( Q1 2015 Stock ) in exchange for cash proceeds of \$225,000. The Q1 2015 Convertible Notes carry an original issue discount of 17%, mature on December 31, 2015 and are convertible into common stock of the Company at \$0.015 per share, subject to adjustment and mandatory conversion. The Q1 2015 Stock was valued at the fair market value of \$22,500 and is recorded as finance costs in Additional Paid in Capital at December 31, 2015. In addition to the Q1 2015 Convertible Notes and the Q1 2015 Stock, a total of 2,250,000 additional shares of the Company s common stock will be issued to the investors if the Q1 2015 Convertible Notes are not repaid or converted prior to June 30, 2015. As of December 31, 2015, all non-converted noteholders have not requested their additional shares.

On April 14, 2015, we entered into a Note Purchase Agreement with an unaffiliated third party (the Investor ) relating to the sale of unsecured convertible promissory notes. The promissory notes are divided into units ( Units ), each in the principal amount of \$25,000. The promissory notes bear interest at a rate of 14% per annum, payable quarterly and a maturity date of April 14, 2017. The unsecured convertible promissory notes are convertible into common stock of the Company at a price of \$0.015 per share at any time by the holder, subject to certain conditions and restrictions set forth in the notes. On April 14, 2015 and again on May 5, 2015, the Investor purchased a \$25,000 Unit (for a total of \$50,000) and on May 17, 2015, June 7, 2015 and June 29, 2015, the Investor purchased 3 \$50,000 Units (for a total of \$150,000) totaling \$200,000 as of December 31, 2015. As of December 31, 2015 the Company has paid a total of \$16,618 in interest.

On August 4, 2015, we issued a convertible note with a total principal balance of \$30,000 (the Q3 2015 Convertible Notes ) to an accredited investor. The Convertible Note carries an original issue discount of 17%, matures on March 31, 2016 and is convertible into common stock of the Company at \$0.015 per share, subject to adjustment and mandatory conversion. On August 5, 2015, we received the \$25,000 payment.

On August 12, 2015 one of the investors, with respect to their \$120,000 Convertible Promissory Note dated February 10, 2015, converted the note into 8,000,000 shares of common stock.

On August 26, 2015, we entered into Note and Share Purchase Agreement with an independent accredited investor. As a result, we issued convertible notes with a total principal balance of \$15,000 (the Q3 2015 Convertible Notes ). The Convertible Note carries an original issue discount of 17%, mature on March 31, 2016 and are convertible into common stock of the Company at \$0.015 per share, subject to adjustment and mandatory conversion. On August 26, 2015, we received a \$12,500 payment.

On August 27, 2015, we entered into a Note and Share Purchase Agreement with an unaffiliated third party (the Investor ) relating to the sale of an unsecured convertible promissory note and warrant. The convertible promissory note is divided into units ( Units ), each in the principal amount of \$25,000 (the Q3 2015 Convertible Notes ), with equal installments of \$1,000 due sequentially every week until \$30,000 has been repaid and warrants to purchase 1,250,000 shares of common stock at an exercise price of \$0.015 per share. The promissory notes are due on April 30, 2016, subject to certain conditions and restrictions set forth in the notes. The convertible promissory note has a relative fair value of \$24,509 and the warrants has a relative fair value of \$5,491 at the date of issuance determined using the Black-Scholes option-pricing model. The assumptions used to calculate the fair market value are as follows: (i) risk-free interest rate of 0.36% (ii) estimated volatility of 207% (iii) dividend yield of 0.00% and (iv) expected life of the warrants of 30 months. The Convertible Note is convertible into shares of common stock based on the volume weighted average of the closing price per share for the 20 consecutive trading days prior to the conversion date if there is any outstanding principal balance due after the expiration due date. On August 31, 2015 the Investor purchased a \$25,000 Unit (for a total of \$25,000) and as of December 31, 2015, \$17,000 in installment payments have been made. As of December 31, 2015, the balance on the convertible promissory note is \$13,000.

On September 9, 2015 we entered into Note and Share Purchase Agreement with an independent accredited investor. As a result, we issued convertible notes with a total principal balance of \$30,000 (the Q3 2015 Convertible Notes ). The Convertible Note carries an original issue discount of 17%, mature on March 31, 2016 and are convertible into common stock of the Company at \$0.015 per share, subject to adjustment and mandatory conversion. On September 16, 2015, the Investor purchased a \$25,000 Unit.

On October 6, 2015, we issued a total of 3,000,000 shares of common stock to two investors in exchange for the retirement of debt with the conversion of their \$45,000 in Convertible Notes that closed in Q4 2014.

On October 9, 2015, the Company entered into a 7.5% Convertible Debenture, due April 9, 2016, in the aggregate principal amount of \$300,000 plus interest. The Debenture shall also have an OID of 5% from the stated principal amount. On October 9, 2015 the Company received the first installment of \$75,000 from an accredited investor, on November 9, 2015 the second \$75,000 installment was made, on December 11, 2015 an installment of \$25,000 was made, and on December 28, 2015 an installment of \$25,000 was made. The Convertible Debenture is convertible into shares of common stock based on 65% of the lowest volume weighted average of the closing price per share for the 20 consecutive trading days prior to the conversion date

On December 18, 2015 one of the investors, with respect to their \$30,000 Convertible Promissory Note dated November 10, 2014, converted the note into 2,000,000 shares of common stock.

## 8.

### INCOME TAXES

The provision for refundable Federal income tax consists of the following as of December 31:

	2015	2014
Federal income tax benefit calculated at statutory rate of 35%	\$ 448,000	\$ 631,000
Less: Stock based compensation expense	(171,000)	(52,000)
Change in valuation allowance	(277,000)	(579,000)
Net income tax provision	\$ -	\$ -

The cumulative tax effect at the expected rate of 35% of significant items comprising our net deferred tax amount is as follows at December 31:

	2015	2014
Deferred tax asset attributable to:		
Net operating losses carried forward	\$ 4,270,000	\$ 3,993,000
Less: Valuation allowance	(4,270,000)	(3,993,000)
Net deferred tax asset	\$ -	\$ -

The Company established a full valuation allowance. The Company continually reviews the adequacy of the valuation allowance and recognizes a benefit from income taxes only when reassessment indicates that it is more likely than not that the benefits will be realized.

At December 31, 2015, the Company had an unused net operating loss carryover approximating \$12,498,000 that is available to offset future taxable income, which expires beginning in 2028.

9.

**EQUITY****Common Stock**

The Company issued the following shares of common stock for the years ended December 31:

	2015		2014	
	Value of Shares	# of shares	Value of Shares	# of shares
Shares issued for services rendered	\$ 517,203	42,600,000	\$ 165,587	12,941,176
Shares issued for accrued salaries and expenses	233,000	12,562,500	85,272	4,908,000
Shares issued for conversion of debt	420,232	35,523,226	1,776,287	115,418,861
Shares issued for financing	-	125,000	-	-
Total restricted shares issued	\$ 1,170,435	90,810,726	\$ 2,027,146	133,268,037

Shares issued for services rendered were to various members of management, employees and consultants and are generally expensed as Stock-Based Compensation in the accompanying consolidated statement of operations. Also included are shares of common stock issued to our 2015 investors in conjunction with their note and share purchase agreements. During 2015, 42,600,000 such shares of common stock, valued at \$517,203, were granted and are included in the accompanying consolidated balance sheet as paid in capital. Shares issued for accrued salaries and expenses were granted to members of management, Board Members, consultants and employees as payment for portions of amounts owed to them for services rendered in previous periods. Shares issued with repurchase rights relate to shares granted to members of management and the Board of Directors whereby the Company retained the rights to acquire the shares from the stock recipients and such repurchase rights lapsed ratably over twelve months at a rate of 1/12<sup>th</sup> per month beginning on date of their corresponding note(s). Upon vesting, the shares are revalued based on the average stock price during the respective month and the related stock based compensation expense is recognized. Shares issued for conversion of debt relate to conversions of both short and long term debt as discussed in Note 7. Shares issued for financing in 2015 relate to shares granted to investors for their participation in the 2015 financings.

**Common Stock Warrants**

Since inception, the Company has issued numerous warrants to purchase shares of the Company's common stock to shareholders, consultants and employees as compensation for services rendered.

On January 25, 2015 6,600,000 warrants were issued to three advisors as part of their advisory Agreements dated February 1, 2015. The warrants expire on January, 27, 2017 at an exercise price of \$0.02.

On August 2, 2015 3,300,000 warrants were issued to two advisors as part of their advisory Agreements dated February 2, 2015. The warrants expire on August 3, 2017 at an exercise price of \$0.02.

On August 27, 2015, 1,250,000 warrants were issued to an accredited investor as part of their Note and Share Purchase Agreement. The warrants expire on February 26, 2018 at an exercise price of \$0.015.

On September 9, 2015 2,000,000 warrants previously issued expired.

A summary of the Company's warrant activity and related information is provided below:

	<b>Exercise Price \$</b>	<b>Number of Warrants</b>
Outstanding and exercisable at December 31, 2013	0.08 - 0.40	7,720,000
Warrants exercised	-	-
Warrants granted	-	-
Warrants expired	0.08	(5,720,000)
Outstanding and exercisable at December 31, 2014	0.08 - 0.40	2,000,000
Warrants exercised	-	-
Warrants granted	0.015 - 0.02	11,150,000
Warrants expired	0.02	(2,000,000)
Outstanding and exercisable at December 31, 2015	0.015 - 0.02	11,150,000

Stock Warrants as of December 31, 2015			
Exercise Price	Warrants Outstanding	Remaining Life (Years)	Warrants Exercisable
\$0.02	9,900,000	1.91	9,900,000
\$0.015	1,250,000	2.16	1,250,000

### Common Stock Options

Under the Company's 2008 Plan, we are authorized to grant stock options intended to qualify as Incentive Stock Options, ISO, under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified options, restricted and unrestricted stock awards and stock appreciation rights to purchase up to 7,000,000 shares of common stock to our employees, officers, directors and consultants, with the exception that ISOs may only be granted to employees of the Company and its subsidiaries, as defined in the 2008 Plan.

The Company recognizes option expense ratably over the vesting periods. As of December 31, 2012, all options granted were fully vested. Accordingly, no option expense has been recognized during the years ended December 31, 2015 and 2014.

No options were granted during 2015 and 2014.

The Plan provides for the issuance of a maximum of 7,000,000 shares of which, after adjusting for estimated pre-vesting forfeitures and expired options, approximately 2,235,000 were available for issuance as of April 14, 2016.

Stock option activity under the Plan for the period from December 31, 2014 to December 31, 2015 is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Grant Date Fair Value
Outstanding at December 31, 2014	452,493	\$0.08	0.09	\$ 14,942
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options cancelled/forfeited/ expired	-	-	-	-
Outstanding at December 31, 2015	452,493	\$0.08	0.09	\$ 14,942

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Exercisable at December 31, 2015                      452,493                      \$0.08                      0.09                      \$ 14,942

As of December 31, 2015, after adjusting for estimated pre-vested forfeitures, there was \$0 of unrecognized compensation cost related to unvested stock options. The Company intends to issue new shares to satisfy share option exercises.

Stock option activity under the Plan for the period from December 31, 2013 to December 31, 2014 is summarized as follows:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (in years)</b>	<b>Grant Date Fair Value</b>
Outstanding at December 31, 2013	775,133	\$0.14	1.09	\$ 46,901
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options cancelled/forfeited/ expired	(322,640)	0.22	-	(31,959)
Outstanding at December 31, 2014	452,493	\$0.08	0.09	\$ 14,942
Exercisable at December 31, 2014	452,493	\$0.08	.09	\$ 14,942



10.

## **COMMITMENTS & CONTINGENCIES**

### **Bonuses**

Several executive members of management have employment agreements which, among other provisions, provide for the payment of a bonus, as determined by the Board of Directors, in amounts ranging from 15% to 50% of the executive's yearly compensation, to be paid in cash or stock at the Company's sole discretion, if the Company has an increase in year over year revenues and the Executive performs his duties (i) within the time frame budgeted for such duties and (ii) at or below the cost budgeted for such duties.

### **Contingencies**

From time to time, we may be involved in routine legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. The ultimate amount of liability, if any, for any claims of any type (either alone or in the aggregate) may materially and adversely affect our financial condition, results of operations and liquidity. In addition, the ultimate outcome of any litigation is uncertain. Any outcome, whether favorable or unfavorable, may materially and adversely affect us due to legal costs and expenses, diversion of management attention and other factors. We expense legal costs in the period incurred. We cannot assure you that additional contingencies of a legal nature or contingencies having legal aspects will not be asserted against us in the future, and these matters could relate to prior, current or future transactions or events.

11.

## **SUBSEQUENT EVENTS**

On January 15, 2016, we received an additional installment of \$15,000 from an accredited investor relating to the 7.5% Convertible Debenture entered into on October 9, 2015.

On January 20, 2016, we issued 7,421,592 shares of common stock (valued at \$74,216) to management, various consultants and accredited investors.

On January 27, 2016, pursuant to a Note Purchase Agreement with an unaffiliated third party (the Investor ) relating to the sale of an unsecured convertible promissory note. The third party purchased an additional unit for \$25,000 and a principal balance of \$30,000. The convertible promissory note is divided into units ( Units ), each in the principal amount of \$25,000, with equal installments of \$1,000 due sequentially every week until \$30,000 has been repaid. The convertible promissory notes are due on November 25, 2016, subject to certain conditions and restrictions set forth in the notes. The convertible note is convertible into shares of common stock based on the volume weighted average of the closing price per share for the 20 consecutive trading days prior to the conversion date if there is any outstanding principal balance due after the expiration due date. As of April 14, 2016, \$2,000 in installment payments have been made.

On February 5, 2016 an accredited investor with a convertible note of \$30,000, converted their outstanding principal balance into 2,250,000 shares of common stock at a conversion price of \$0.015.

On February 8, 2016, we entered into a Note and Share Purchase Agreement with an unaffiliated third party (the Investor ) relating to the sale of an unsecured promissory note. The note is divided into units ( Units ), each in the principal amount of \$25,000. The notes are due on December 31, 2016, subject to certain conditions and restrictions set forth in the notes. On February 8, 2016 the Investor purchased two \$25,000 units (for a total of \$50,000).

On February 9, 2016 we made a payment of \$3,000 to an accredited investor to reduce the outstanding balance on his loan.

On March 3, 2016 we issued 4,250,000 shares of common stock (valued at \$55,250) to 3 advisors for services rendered.

On March 16, 2016, we entered into a Convertible Promissory Notes with an independent accredited investor. As a result, we issued convertible notes with a total principal balance of \$55,000. The Convertible Note carries an original issue discount of 10%, mature on March 16, 2017 with a 12% interest rate and are convertible into common stock of the Company at 60% of the lowest closing price over a five day period immediately prior to but not including the Conversion Date.

On March 16, 2016, we entered into a Convertible Promissory Notes with an independent accredited investor. As a result, we issued convertible notes with a total principal balance of \$25,000. The Convertible Note carries an original issue discount of 10%, mature on March 16, 2017 with a 12% interest rate and are convertible into common stock of the Company at 60% of the lowest closing price over a five day period immediately prior to but not including the Conversion Date.

On March 16, 2016, we hired Greentree Financial Group to assist with financial matters throughout 2016. We are compensating Greentree Financial for their services with 2,500,000 shares of common stock that we issued in March 2016 in connection with their engagement.