

GTX CORP  
Form 10-K  
April 10, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-K**

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(Mark One)

**Q ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2013

**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:

Common Stock, Par Value \$0.001

(Title of class)

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

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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)

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

The aggregate market value of the common stock held by non-affiliates as of June 30, 2013 was \$893,168, based on the closing price of the registrant's common stock reported by the OTCQB market on June 28, 2013. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

The outstanding number of shares of common stock as of April 9, 2014 was 142,002,593.

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”, “should”, 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 I

### 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, LOCiMOBILE, Inc., and Code Amber News Service, Inc.

## OVERVIEW OF THE BUSINESS

GTX Corp utilizes miniaturized, low power consumption technology in its global positioning system (“GPS”) and cellular location platform of products and services that answer the “where is” question. For subscribers who want to know where their grandmother, child, spouse, pet, bike, motorcycle or any other high valued assets are located, GTX Corp has a solution that answers that question and enables subscribers to track their whereabouts in real time. The ability to track people or property is available through our complete end to end, customizable GPS/GPRS transceiver module, wireless connectivity gateway, smartphone mobile applications (“Apps”), middleware, and viewing portal. We provide various interrelated and complimentary products and services in the Personal Location Services marketplace and integrates two-way GPS tracking technologies that seamlessly integrate with consumer products and enterprise applications. Utilizing its growing global distribution channel network, the Company provides personal location solutions through hardware devices, software platform licensing and smartphone applications.

Since the inception of our business, GTX Corp has developed and commercially released several products, including our award winning, patented GPS tracking smart shoe, a hosted and scalable backend monitoring platform, more than 20 smartphone and tablet Apps and a digital medical record alerttag. The Company has five current and proposed revenue streams comprising of licensing, product sales, recurring subscriptions, advertising, and professional services. These core products and services are supported by GTX’s IP portfolio of issued patents, patents pending, registered trademarks, copyrights, URLs and a library of custom hardware and software ready for license and distribution to the global community.

Our goal is to differentiate ourselves from other providers of personal location solutions through our “white label” licensing model, innovative products, our brand, media and social media recognition, our renowned strategic partners, our growing international channels of distribution, our technology platform and our intellectual property portfolio. Our plan is to integrate customizable tracking solutions that can provide functionality and personalized interfaces

offering consumers and businesses a broad array of localized personal location solutions.

Our operations are currently conducted through the following three wholly-owned subsidiaries that operate in various interrelated sectors of the emerging Location-Based Services and Proximity Marketing industries:

**Global Trek Xploration (“GTX California”)**

GTX California focuses on hardware, software, connectivity, design and development of GPS monitoring products by offering a GPS and cellular location platform that enables subscribers to track in real time the whereabouts of people, pets or high valued assets. Our GPS device, which consists of a miniature transceiver, antenna, circuitry and battery, can be customized and integrated into numerous products whose location and movement can be monitored in real time over the Internet through our 24x7 location data center (“Location Data Center”) tracking portal or on a web enabled cellular telephone. The Location Data Center tracking portal is fully scalable and has been licensed to several partners both in the U.S. and internationally. It is a secure platform equipped with a database, 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).

Our objective is to be a leading provider of wireless location services through the convergence of state-of-the-art enhanced global positioning, wireless communications and other technologies that empower people and businesses with the ability to locate other people or property, whenever and wherever they choose. Markets that GTX California is currently in, or is exploring, include:

- Families with members who have Alzheimer’s disease and developmentally challenged adults;
  - Elder care support and e-health applications;
- Adults and children with cognitive disorders such as Autism and TBI;
- High value asset tracking and location capability of bikes, motorcycles, containers, luggage, and other assets that require monitoring or tracking;
  - Mobile work force, and
  - Field workers, first responders and law enforcement.

## **Technology**

Our current location tracking product design utilizes quad-band GSM telephony chip sets and can be adapted to the prevalent wireless technologies, be they 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 facility to create and manage the proprietary Location Data Center (reliable to 99.999%). The local service center runs on redundant off-the-shelf servers. This enables cost-efficient expansion, without the need for application code changes.

The products are supported by 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 the our expansion strategy/roadmap, the Company is currently exploring the development of a 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 goal of GTX California is to offer location based hardware and/or its data monitoring platform to third parties for the sale and distribution of location based products/services in various markets. We begin the process by entering into a platform test agreement 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 branded partners. To date, the Company has created three custom solutions: 1) the monitoring of seniors by installing the GPS device into specially designed shoes; 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.

In 2010, GTX California entered into a license agreement with Aetrex Worldwide, Inc. under which we granted Aetrex the exclusive right to embed our GPS tracking device into certain footwear products manufactured and sold solely by Aetrex (the "License Agreement"). The Navistar™ GPS Shoes monitor the locations of "wandering" seniors afflicted with dementia. In order to activate the tracking features of the Navistar GPS Shoe, the user of the shoes purchases a monthly cellular connection plan from GTX California. The Company is responsible for the cellular/GPS activation, for arranging and providing cellular connection services and for collecting the monthly fees. We receive and retain the recurring monthly monitoring fees received from users of the Aetrex embed tracking footwear, although we have agreed to remit a varying portion of those monthly fees to Aetrex. Although the GPS Shoe received significant interest from various eldercare organizations and was prominently featured in the media, sales to date of the Navistar GPS Shoe have not met our expectation or the expectations of Aetrex. Accordingly, effective March 18, 2014, we did not renew our license agreement with Aetrex, and Aetrex has ceased actively marketing or selling this first generation line of GPS Shoes.

During 2013, the Company entered into an exclusive three-year contract with Atlantic Footcare, Inc., ("Atlantic") to develop and launch the GPS SmartSole™ (the "SmartSole"), a product designed to monitor the location of the wearer of shoes that are outfitted with the SmartSole. Atlantic is the Company's exclusive manufacturer of the new shoe insole to be used with our embedded GPS devices. The patented SmartSole fits easily into most shoes providing the user even more opportunities to use the tracking device in comparison to that provided with the Navistar GPS Shoes. The SmartSoles are designed to bring peace of mind to family members and those caring for the millions of people suffering from memory impairment and chronic wandering. A miniaturized GPS tracking chip is embedded in the insoles and powered by a rechargeable battery that lasts up to 5 days on a single inductive charge (50% longer than the battery life in the Navistar GPS Shoes). The inductive charger also makes the SmartSole significantly easier to use than the GPS Shoe. The SmartSole sends a signal to the central monitoring website showing the wearer's exact location using a combination of satellite and cellular technology. Once the GPS tracking account is set up, the location of the SmartSole can be monitored from a computer, tablet or smartphone. As of the date of this Annual Report, the GPS SmartSole™ is still in its testing phase both in the US and internationally. The product is expected to be commercially released beginning in June 2014.

Designed for less chronic wanderers and as an introduction to our other footwear-based location monitoring products, in March 2014 we released 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 the care giving communities. Similar to the 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 BLE 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. The caregiver is alerted via email or text when the wearer leaves the area.

During July 2013, the Company converted its platform test agreement with AttachaPack LLC into an exclusive licensing agreement for the GPS Tracking platform and to allow the miniaturized two-way GPS with SOS and emergency voice capabilities to be embedded in AttachaPack™ backpacks. AttachaPack™ offers a range of innovative backpacks that feature interchangeable pockets in hundreds of patterns so kids can easily customize and create their own backpack.

On February 15, 2013 and June 26, 2013, the Company entered into two 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 and expand our global reach, including integration of our GPS Smart Shoe technology with BSI’s Coalition for Concussion Treatment campaign. 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 expand its social media awareness programs relative to this issue and the products and services offered by the Company. As compensation for such services, the Company has granted BSI 5,500,000 shares of common stock valued at \$145,000.



**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, Blackberry, Google Android and other GPS enabled handsets into a tracking and location based social networking device which can then be viewed through our Location Data Center tracking portal or on any connected device with internet access. As of the date of this Annual Report, our 20+ Apps have experienced over 1.6 million downloads in 162 countries.

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 web enabled 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.

The LOCiMOBILE® Apps can be downloaded to the user’s smartphone from the company’s [www.locimobile.com](http://www.locimobile.com) website, the Apple iTunes online store and the Android Marketplace. Part of the future evolution of the LOCiMobile® products development may include the implementation of Cloud Architecture, which is a style of computing in which dynamically scalable and often virtualized resources are provided as a service over the Internet. This type of architecture will allow our subscribers to take location data and augment that data with other pertinent information providing a content rich solution. This will not only enhance the user experience but also create value to the viewers and subscribers. Knowing the whereabouts of a loved one, friend or co-worker has value, but knowing particulars about those whereabouts and if there are any other friends or loved ones in the area, or if there are any potential dangers in the area, increases the value of the information. For example, knowing the location of a child and then augmenting that information with the known whereabouts of registered sex offenders increases the value of the information and ultimately empowers the user. More and more people use their smart phones to text, e-mail, search the Internet or listen to music. Because these devices are becoming smarter, growing in use and numbers and are proliferating worldwide, they create the perfect long term environment for developing geo spatial, dynamic in real time solutions that interact not only with each other but with other widely adopted platforms and data bases. This in turn will create value when intersecting information with location and proximity. Seamlessly adding location and proximity to a common exchange of text messaging significantly change the dynamics of text messaging.

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

CANS is a U.S. and Canadian syndicator of all state Amber Alerts providing website tickers and news feeds to merchants, internet service providers, affiliate partners, corporate sponsors and local, state and federal agencies, as well as, marketing and selling the patent pending electronic personal health 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 \$29.95 subscription based model, and complements the overall GTX business model of providing location based e-health technologies and services.

**GENERAL**

We maintain several Internet websites including; www.gtxcorp.com, www.locimobile.com, www.gpsshoe.com, www.gpssmartsole.com, www.codeameralertag.com and 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 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**

We have invested, and continue to invest, significantly in intellectual properties, which consist of patents, trademarks and URLs. Patents consist of apparatus patents and applications and system and method patents and applications. We have a program to file applications for and obtain patents in the United States and in selected foreign countries where we believe filing for such protection is appropriate. We hold approximately 17 U.S. issued patents and have two foreign patents pending, the majority of which cover all aspect of the personal locator, its operating system and user interface.

In 2011, we entered into a multi-patent licensing agreement with a third-party for the rights to an additional 62 domestic and international patents. This license was entered into in order to eliminate actual or potential conflicts between our patented technologies and the licensed patents.

## **THE INDUSTRY**

Location-based services are once again central to the wireless industry. Technological challenges have been resolved with 3G and 4G network speeds now consistent with higher-speed coverage that is widely available. In our ever-mobile society, it helps to know where we are and where we are going. Same with caregivers of seniors suffering from Alzheimer’s and dementia, freight forwarding companies wanting to know where their packages, are and employers wanting 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 by 2015*).

· Personal and asset security concerns affecting a greater portion of the population.

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Increasing numbers of elderly or memory impaired (*Alzheimer's, Autism, etc. 9million in U.S. and growing to 270 million worldwide*).

- Corporations needing to manage worker productivity and logistics.
- Government agencies, law enforcement and military personnel monitoring.
- Massive life style adoption of Location Based Social Networking.
- Proximity Advertising - the new standard.

## **GROWTH STRATEGY**

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

Providing our Personal Locator embedded module to licensees to empower their products with two-way GPS tracking capabilities;

A 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.

## **COMPETITION**

Personal location and property tracking devices of various kinds and from various vendors are 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.

There are numerous competitors for our 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. Our competitors often are better financed, or have greater marketing and scientific resources than we can provide. We are also aware of a number of foreign competitors that offer personal location tracking products similar to ours, which may impact our ability to expand our products abroad. Our smart phone locator apps also compete against a number of other smart phone apps, some of which have features similar to our Apps.

In related markets, GPS devices have become widely used for automotive and marine applications where line-of-sight to GPS satellites is not a significant issue. Manufacturers such as Garmin, Navman, Magellan, TomTom, Pharos, NovAtel and DeLorne are finding a market interested in using these products for both business and leisure purposes. Location devices are gaining significant market acceptance and commercialization in part due to the use of GPS technology in devices such as chart plotters, fitness and training devices, fish finders, laptop computers, PDAs, etc.

## **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, we also market and sell the line of Prime devices, the GTX AVL, and the “Micro LOCi”, 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. The micro LOCi is a more compact, fully certified quad-band integrated device that provides complete GSM/GPRS functionality for mobile tracking applications. The GTX AVL is a low cost vehicle tracking device. These products are sold under our GTX brand, and they can be branded with other companies’ names. All these devices operate through, and use our middleware platform and viewing portal. These devices can be sold individually or as a complete solution including platform and wireless connectivity, providing us with product sales revenues and subsequent recurring monthly service revenues. In addition to hardware device sales, as part of our international expansion plans, we are also licensing our enterprise portal and middleware platform, which contributes to an increase in monthly subscription revenues. The Company currently has three international licensed distributors and anticipates signing on an additional five or six during 2014.

#### EMPLOYEES AND CONSULTANTS

As of December 31, 2013, the Company had four employees and over a dozen independent contractors. 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 to fund our current level of operations.*

As of December 31, 2013, we had a working capital deficit of approximately \$736,000 and an accumulated deficit of approximately \$15,436,000. In addition, for the year ended December 31, 2013, we had a loss of approximately \$1,505,000 and negative cash flow from operating activities of approximately \$345,000. 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, in September 2013 we entered into a Securities Purchase Agreement with 112359 Factor Fund, LLC (the "Fund") which included, among other debentures, a secured convertible debenture payable in eight (8) tranches totaling \$425,000. As of April 9, 2014, the debenture has provided us with \$375,000 and will provide us with a final payment of \$50,000 in April 2014. Additionally, on July 24, 2013, we also entered into a Security Purchase Agreement (the "SPA") with Atlantic, whereby Atlantic has committed to loan the Company \$100,000 in cash, of which \$81,250 has been funded as of April 9, 2014. Aside from the Fund and Atlantic SPA, 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 OTCQB market and not on a national securities exchange, particularly if there is only limited trading in our common stock on the OTCQB 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 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.***

Previously, we anticipated that revenues from the Navistar™ GPS Shoe that was released December 2011 would increase significantly this year and would provide the funds necessary to fund our working capital needs. However, revenues from the Navistar™ GPS Shoe have been minimal, and the license agreement for commercialization of the Navistar™ GPS Shoe has expired and not been renewed. As a result, 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 \$1,505,000 and \$1,218,000 for the years ended December 31, 2013 and 2012, respectively. Unless our sales increase substantially in the near future, we anticipate that we will continue to incur net losses in the near term, and we may never be able to achieve profitability. In order to achieve profitable operations we need to significantly increase our revenues from the sales of product and licensing fees. We cannot be certain that our business will ever be successful or that we will generate significant revenues and become profitable. 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 limited funds available from which we can fund our current and proposed operating activities. In September 2013 we entered into a secured convertible debenture payable in eight (8) tranches totaling \$425,000. As of April 9, 2014, the debenture has provided us with \$375,000 and will provide us with a final payment of \$50,000 in April 2014. Additionally, in July 2013, Atlantic committed to loan the Company \$100,000 in cash, of which \$81,250 has been loaned as of April 9, 2014. The amount of funds currently available to us under these debentures, and the amount of revenues that we currently generate, collectively are not sufficient to fund our operating expenses. As a result, unless 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. We may also attempt to raise funds through corporate collaboration and licensing arrangements. To the extent we raise additional capital by issuing equity securities, our stockholders will experience further dilution. If we raise funds through debt financings, we may become subject to restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or products, or grant licenses on terms that are not favorable to us. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain the needed additional funding, we will have to reduce or even totally discontinue our operations, which would have a significant negative impact on our stockholders and could result in a total loss of their investment in our stock.

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

- The testing and ultimately the commercial success of the GPS SmartSole™;
- Our ongoing general and administrative expenses related to our being a reporting company;
- Market acceptance of our LOCiMOBILE® products, and the revenues generated from users of our smartphone products;
- The cost of developing and improving our products and technologies;
- The consummation of one or more licensing agreements with the parties currently considering the release of products based on our technologies; and
- The sale of devices to our international partners and the corresponding monthly subscription fees.

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

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



***Our projected revenues in 2014 rely heavily on the commercial success of new, commercially untested product, the GPS SmartSole™, that we intend to release later this year.***

Our first generation location monitoring shoe (the Navistar GPS Shoe) received significant industry and media acclaim. However, because of design and other issues that affected that product, sales of the Navistar GPS Shoe did not meet our expectations. We are now completing the development and testing of a second generation footwear product, the GPS SmartSole™, which product we expect to be commercially released later this year. While we believe that the design of the GPS SmartSole™, as well as the pricing and marketing changes, will remedy certain of the issues that affected the Navistar GPS Shoe, the GPS SmartSole™ also is a new, and untested, product. No assurance can be given that our new footwear product will be a commercial success or that the GPS SmartSole™ will generate significant revenues for us.

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

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

To date, we have only manufactured a limited number of products. In addition, we are continually redesigning and enhancing our products and we are designing new products based on that technology that we hope to manufacture and market in the near future. The manufacture and assembly of our products involves complex and precise processes, some of which have subcontracted to other companies and consultants. To date, we have 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 sell our products. Manufacturing difficulties will harm our ability to compete and adversely affect our results of operations and financial condition, and may hinder our ability to grow our business as we expect.

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

We expect that most of the components and subassemblies of our products will be initially manufactured for us by only one manufacturer. Although we could arrange for other manufacturers to supply these components and subassemblies, there is no assurance that we could do so without undue cost, expense and delay. If our sole manufacturers are unable to provide us with adequate supplies of high-quality components on a timely and

cost-efficient basis, our operations will be disrupted and our net revenue and profitability will suffer. Moreover, if those manufacturers cannot consistently produce high-quality products that are free of defects, we may experience a high rate of product returns, which would also reduce our profitability and may harm our reputation and brand. Although we believe that we could locate alternate contract manufacturers, our operations would be impacted until alternate manufacturers are found.

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

Competition in the wireless location services market in the U.S. and abroad is intense. 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 introduce continually new and innovative products and services. Our success will depend partially on our ability to introduce new products, services and technologies continually and on a timely basis and to continue to improve the performance, features and reliability of our products and services in response to both evolving demands of prospective customers and competitive products. There can be no assurance that any of our new or proposed products or services will maintain the market acceptance already established. Our failure to design, develop, test, market and introduce new and enhanced products, technologies and services successfully so as to achieve market acceptance could have a material adverse effect upon our business, operating results and financial condition.

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

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 relatively minor sales to date. We rely heavily on channel partners, a few licensees and telecommunications carriers 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 commercially scale our existing contracts, enter into other license agreements that provide us with regular royalties or subscription revenues, or our LOCiMOBILE® applications are continually downloaded by a significant number of users who pay our download fees.

As such, the amount of revenues we receive, if any, from licensing agreements, downloads, etc. will fluctuate and depend upon our customer's willingness to buy or products, and for our partner's abilities to sell the products that contain our technology. Accordingly, it is uncertain if and when we will receive future orders from our current and potential future customers.

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

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

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

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

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

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and, depending on our future growth, may require our independent registered public accounting firm to annually attest to our evaluation, as well as issue their own opinion on our internal controls over financial reporting. The process of implementing and maintaining proper internal controls and complying with Section 404 is expensive and time consuming. We cannot be certain that the measures we will undertake will ensure that we will maintain adequate controls over our financial processes and reporting in the future. Furthermore, if we are able to

rapidly grow our business, the internal controls that we will need will become more complex, and significantly more resources will be required to ensure our internal controls remain effective. Failure to implement required controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our auditors discover a material weakness in our internal controls, the disclosure of that fact, even if the weakness is quickly remedied, could diminish investors' confidence in our financial statements and harm our stock price. In addition, non-compliance with Section 404 could subject us to a variety of administrative sanctions, including the suspension of trading, ineligibility for future listing on one of the Nasdaq Stock Markets or national securities exchanges, and the inability of registered broker-dealers to make a market in our common stock, which may reduce our stock price.

***We may suffer from product liability claims.***

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

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

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



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

Our products utilize a variety of proprietary rights that are critical to our competitive position. Because the technology and intellectual property associated with our wireless location products are evolving and rapidly changing, our current intellectual property rights may not adequately protect us in the future. We rely on a combination of patent, copyright, trademark and trade secret laws and contractual restrictions to protect the intellectual property utilized in our products. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. In addition, monitoring unauthorized use of our products is difficult and we cannot be certain the steps we have taken will prevent unauthorized use of our technology. Also, it is possible that no additional patents or trademarks will be issued from our currently pending or future patent or trademark applications. Because legal standards relating to the validity, enforceability and scope of protection of patent and intellectual property rights are uncertain and still evolving, the future viability or value of our intellectual property rights is uncertain. Moreover, effective patent, trademark, copyright and trade secret protection may not be available in some countries in which we distribute or anticipate distributing our products. Furthermore, our competitors may independently develop similar technologies that limit the value of our intellectual property, design or patents. In addition, third parties may at some point claim certain aspects of our business infringe their intellectual property rights. While we are not currently subject to nor aware of any such claim, any future claim (with or without merit) could result in one or more of the following:

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

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

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

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

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

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

***Rapid technological change in our market and/or changes in customer requirements could cause our products to become obsolete or require us to redesign our products, which would have a material adverse 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. Future acquisitions or strategic investments could have a material adverse effect on our business and operating results because of:

The assumption of unknown liabilities, including employee obligations. Although we normally conduct extensive legal and accounting due diligence in connection with our acquisitions, there are many liabilities that cannot be discovered, and which liabilities could be material.

We may become subject to significant expenses related to bringing the financial, accounting and internal control procedures of the acquired business into compliance with U.S. GAAP financial accounting standards and the Sarbanes Oxley Act of 2002.

Our operating results could be impaired as a result of restructuring or impairment charges related to amortization expenses associated with intangible assets.

We could experience significant difficulties in successfully integrating any acquired operations, technologies, customers' products and businesses with our existing operations.

- Future acquisitions could divert substantial capital and our management's attention.
- We may not be able to hire the key employees necessary to manage or staff the acquired enterprise operations.

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

As of April 9, 2014 our executive officers and directors, in the aggregate, beneficially own shares representing approximately 24.7% 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, 2013 we had short term convertible notes with outstanding principal balances totalling \$142,500 and long term convertible notes with outstanding principal balances totalling approximately \$730,000 which could be convertible into shares of the Company's common stock at 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.

***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 OTCQB market. Trading of our stock through the OTCQB 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 142,002,593 common shares and no preferred shares were issued and outstanding as of April 9, 2014. 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 OTCQB 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 OTC Bulletin Board and OTCQB trading platform under the symbol "GTXO." The following table sets forth the high and low sale prices for our common stock on the OTC Bulletin Board and OTCQB market for the periods indicated:

	<b>Year Ended</b>	
	December 31, 2013	
	<b>High</b>	<b>Low</b>
Quarter ended March 31, 2013	\$0.069	\$ 0.016
Quarter ended June 30, 2013	\$0.044	\$ 0.010
Quarter ended September 30, 2013	\$0.038	\$ 0.006
Quarter ended December 31, 2013	\$0.020	\$ 0.008

	<b>Year Ended</b>	
	December 31, 2012	
	<b>High</b>	<b>Low</b>
Quarter ended March 31, 2012	\$0.130	\$ 0.060
Quarter ended June 30, 2012	\$0.121	\$ 0.020
Quarter ended September 30, 2012	\$0.049	\$ 0.016
Quarter ended December 31, 2012	\$0.0349	\$ 0.009

As of April 8, 2014 the last reported sales price of our common stock on the OTCQB market was \$0.04.

**Holders of Record.** As of April 9, 2014, an aggregate of 142,002,593 shares of our common stock were issued and outstanding and were owned by approximately 140 holders of record, based on information provided by our transfer agent. The foregoing number of record holders does not include any persons who hold their stock in "street name."

**Recent Sales of Unregistered Securities.**

On January 29, 2014, we issued 1.35 million shares of common stock to a total of five employees and consultants, at a price of \$0.0095 per share, as compensation for services rendered. The foregoing shares were issued in reliance upon an exemption from the registration requirements 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, 2013 pursuant to compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance.

	<b>Number of securities to be issued upon exercise of outstanding options</b>	<b>Weighted-average exercise price of outstanding options</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
	(a)		
<u>2013</u>			
Equity compensation plans approved by security holders	775,133	\$0.138	1,912,237
Equity compensation plans not approved by security holders	--	--	--
Total	775,133	\$0.138	1,912,237

As a result of the cancellation and expiration of options subsequent to December 31, 2013, there are approximately 2,182,000 options available for issuance under the 2008 Plan as of April 9, 2014.

## 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, (GTX California, LOCiMOBILE, Inc. and CANS) 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. CANS is a U.S. and Canadian syndicator of all state Amber Alerts providing website tickers and news feeds to merchants, internet service providers, affiliate partners, corporate sponsors and local, state and federal agencies, as well as, marketing and selling the patent pending electronic medical health record Code Amber Alertag.

## 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, 2013 and 2012:

	Year ended December 31,		Year ended December 31,	
	2013	% of Revenues	2012	% of Revenues
	\$		\$	
Revenues	\$149,994	100%	\$367,114	100%
Cost of goods sold	86,729	58%	291,388	79%
Gross margin	63,265	42%	75,726	21%
Operating expenses				
Wages and benefits	414,854	277%	635,622	173%
Professional fees	406,205	271%	366,330	100%
Impairment of fixed assets	36,695	24%	103,000	28%
General and administrative	157,520	105%	189,112	52%
Total operating expenses	1,015,274	677%	1,294,064	353%
Loss from operations	(952,009)	(635)%	(1,218,338)	(332)%
Other income (expense), net	(552,901)	(369)%	829	-%
Net loss	\$(1,504,910)	(1,003)%	\$(1,217,509)	(332)%

Revenues

Revenues in fiscal 2013 decreased \$217,120 or 59% in comparison to fiscal 2012 primarily due to revenues generated from the shipment in 2012 of approximately 1,500 of our GPS devices to Aetrex Worldwide, Inc. (“Aetrex”) for use in the Aetrex Navistar™ GPS Shoe (the “Navistar™ GPS Shoe”). No such sale occurred during 2013, and the Aetrex agreement has expired and not been renewed. The decrease in revenues in 2013 also is attributable to a decrease in revenues generated from our Apps due to a decrease in the purchase of new Apps and a large increase in downloads for upgrades by current subscribers, which upgrades are provided free of charge.

#### Cost of goods sold

Cost of goods sold for fiscal 2013 decreased by \$204,659 or 70% compared to fiscal 2012 due primarily to the decrease in the number of GPS devices sold to Aetrex as discussed above as well as a reduction in the amount of commissions paid on the sale of our Apps.

#### Wages and benefits

Wages and benefits decreased \$220,768 or 35% for fiscal 2013 in comparison to fiscal 2012 due to a decline in our operation and the resultant continued cost cutting efforts, which included reductions in management positions. These reductions in overhead will remain in place as we maintain a low-overhead approach to operations that will scale as operations require.

#### Professional fees

Professional fees consist of costs attributable to consultants and contractors who primarily spend their time on sales, marketing and product development; investor relations; legal fees; and accounting expenses. Such costs increased \$39,875 or 11% in fiscal 2013 compared to fiscal 2012 primarily due to increased accounting and legal fees associated with our debt financing, as well as, patent applications.

### Impairment of fixed 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. Impairment of fixed assets for fiscal 2013 represents the write-down of capitalized direct labor and shoe mold costs to net realizable value. During fiscal 2012, such impairment related to capitalized software development costs.

### General and administrative

General and administrative costs during fiscal 2013 decreased \$31,592 or 17% in comparison to fiscal 2012 primarily due to reductions in depreciation expense as many of our fixed assets are now fully depreciated. Additionally, we have implemented various cost cutting measures that have reduced our general and administrative costs.

### Other income (expense), net

Other income (expense), net for fiscal 2013 consists primarily of costs associated with our debt financing during the year. As part of a securities purchase agreement entered into in September 2013, we issued a \$200,000 convertible note as payment for services provided in facilitating the agreement. As the debenture related to services that had already been received, the full amount was recorded as finance costs at the time of issuance. We also recorded a loss on extinguishment of debt of approximately \$119,000 due to the extinguishment and conversion of portions of our convertible notes. 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. Lastly, included is approximately \$28,000 of interest expense relating to our long-term and short-term convertible notes.

### Net loss

Net loss during fiscal 2013 increased approximately 24% in comparison to the net loss incurred during fiscal 2012. The increase is primarily due to costs associated with our debt financings as discussed above.

### Liquidity and Capital Resources

As of December 31, 2013, we had approximately \$65,000 in cash and \$30,000 of other current assets, compared to \$831,000 of current liabilities, resulting in a working capital deficit of approximately \$736,000, compared to approximately \$31,000 in cash and a working capital deficit of approximately \$664,000 as of December 31, 2012.

Net cash used in operating activities was approximately \$345,000 for fiscal 2013 compared to approximately \$254,000 for fiscal 2012. The increase in net cash used in operating activities was largely attributable to an increase in our net loss offset by depreciation, the loss on extinguishment of debt, stock based compensation, finance costs and adjustments to our derivative liabilities, as well as, increases in accounts payable to vendors and the continued accrual of portions of wages payable to members of management and various officers in an effort to preserve cash for working capital needs.

Net cash used in investing activities during fiscal 2013 and 2012 was approximately \$1,000 and \$15,000, respectively and consisted primarily of payments for the purchase of office equipment.

Net cash provided by financing activities during fiscal 2013 was \$380,750 and consisted of proceeds totaling \$386,250 received from advances under various convertible note payable agreements, as well as, short-term loans totaling \$40,000 received from related parties. As of December 31, 2013, the Company had paid \$36,000 towards the related party loans, as well as, \$9,500 towards a short-term loan owed to a vendor.

Net cash provided by financing activities during fiscal 2012 was approximately \$208,000 and primarily consists of proceeds received from the sale of shares from an equity line financing agreement that we had with Dutchess Equity Fund, L.P. (“Dutchess”). During fiscal 2012, we sold 2,756,142 shares of common stock to Dutchess resulting in proceeds of approximately \$164,000. The equity line expired in November 2012 and accordingly is no longer available for our use.

Because revenues from our operations have, to date, been insufficient to fund our working capital needs, we currently rely on the cash we receive from our financing activities to fund our capital expenditures and to support our working capital requirements. Previously, we anticipated that revenues from the Navistar™ GPS Shoe that was released December 2011 would increase significantly this year and would provide the funds necessary to fund our working capital needs. However, revenues from the Navistar™ GPS Shoe have been minimal, and the Navistar license agreement was allowed to expire. Accordingly, we no longer anticipate that the Navistar™ GPS Shoe will generate any future revenues. Despite the disappointing results of the Navistar GPS shoe, we continue to believe that there is a significant market opportunity for a product that can monitor the location of senior citizens and children through GPS devices embedded in footwear. As a result, in July 2013, we entered into an exclusive three-year contract with Atlantic Footcare, Inc. (“Atlantic”), to develop and launch GPS SmartSole™ (the “SmartSole”). Atlantic is the Company’s exclusive manufacturer of the new shoe insole to be used with our embedded GPS devices. As of the date of this Annual Report, the GPS SmartSole™ is in its testing phase both in the US and internationally. The SmartSole product is expected to be commercially released beginning in June 2014.

We expect to continue to generate revenues from our other licenses, Alertag subscriptions, Track My Work Force subscriptions, international distributors, hardware sales, professional services and new customers in the pipeline. However, the amount of such revenues is unknown and is not expected to be sufficient to fund our working capital needs. For our internal budgeting purposes, we have assumed that such revenues will not be sufficient to fund all of our planned operating and other expenditures. In addition, our actual cash expenditures may exceed our planned expenditures, particularly if we invest in the development of improved versions of our existing products and technologies, and if we increase our marketing expenses. Accordingly, we anticipate that we will have to continue to raise additional capital in order to fund our operations in 2014.

In order to fund our working capital needs and our product development costs in September 2013 we entered into a Securities Purchase Agreement with 112359 Factor Fund, LLC (the “Fund”) pursuant to which we issued and sold to the Fund (i) an amended and restated convertible debenture (the “A & R 1<sup>st</sup> Debenture”) in the principal amount of \$123,394, (ii) a secured convertible debenture in the principal amount of \$200,000 (the “2<sup>nd</sup> Debenture”), and (iii) a secured convertible debenture payable in eight (8) tranches totaling an aggregate principal balance of \$901,000 (the “3<sup>rd</sup> Debenture” and together with the A & R 1<sup>st</sup> Debenture and 2<sup>nd</sup> Debenture, the “Debentures”). The 3<sup>rd</sup> Debenture has provided us with \$225,000 of funds to date, and will continue to provide us with \$50,000 of working capital per month through April 2014. The following is a summary of the terms of the Debentures:

The A & R 1<sup>st</sup> Debenture results from the assignment of our debenture to JMJ Financial (the “JMJ Note”) to the Fund. Since this debenture merely replaced an outstanding loan, the Company did not receive any additional cash from the issuance of this debenture. The A & R 1<sup>st</sup> Debenture amends and restates in its entirety the JMJ Note. The principal changes effected in the A & R 1<sup>st</sup> Debenture include: an increase in the amount outstanding from \$74,394 to \$123,394; the reduction of the interest rate to the lesser of the applicable Federal Rate or 6% per annum; the extension of the maturity dates to the third anniversary of the original payment dates; and the grant to the Fund of the right to convert any portion of the principal amount of the A & R 1<sup>st</sup> Debenture into shares of common stock of the Company at a price equal to 100% of the average of the 5 lowest closing market prices for the Company’s common stock for the 30 trading days preceding conversion. The Fund may not, however, convert the A & R 1<sup>st</sup> Debenture if such conversion would result in the Fund owning more than 4.99% of the Company’s outstanding shares of common stock.

The 2<sup>nd</sup> Debenture, in the amount of \$200,000, was issued to the Fund in consideration for the Fund’s various agreements issued under the Security Purchase Agreement. Since this debenture was issued as payment for services and fees, the Company also did not receive any cash from the issuance of this debenture. The 2<sup>nd</sup> Debenture matures December 31, 2017 and accrues interest on the unconverted outstanding principal balance at a rate per annum of the lesser of the applicable Federal Rate or six percent (6%). Upon the later to occur of (a) the date on which the Fund has paid the Company the full \$425,000 purchase price of the 3<sup>rd</sup> Debenture, or (b) the date on which all amounts due to the Fund, except for amounts due under the 2<sup>nd</sup> Debenture, have been fully paid, at the option of the Fund, the outstanding principal amount due under the 2<sup>nd</sup> Debenture may be converted into shares of the Company’s common stock at a price equal to the lesser of (a) the outstanding balance due under the Debenture divided by \$0.01 per shares (the “Conversion Price,”) or (b) 9.99% of the then-current issued and outstanding capital stock of the Company as of the first (1<sup>st</sup>) anniversary of the Payment Compliance Date.

The face amount of the 3<sup>rd</sup> Debenture is \$901,000. The Fund has agreed to purchase the 3<sup>rd</sup> Debenture in eight (8) installments (each such installment that is paid is referred to as a “Tranche”). The 3<sup>rd</sup> Debenture matures on the third (3<sup>rd</sup>) anniversary date of each Tranche payment. The payment dates (the date on which the Company receives the amounts indicated in the “Tranche” column) and maturity dates of each Tranche are as follows:

Tranche Number	Tranche Payment Date	Tranche	Obligation	Maturity Date
1	September 19, 2013	\$75,000	\$159,000	September 18, 2016
2	October 14, 2013	\$50,000	\$106,000	October 13, 2016
3	November 15, 2013	\$50,000	\$106,000	November 14, 2016
4	December 13, 2013	\$50,000	\$106,000	December 12, 2016
5	January 17, 2014	\$50,000	\$106,000	January 16, 2017
6	February 14, 2014	\$50,000	\$106,000	February 13, 2017

7	March 14, 2014	\$50,000	\$106,000	March 13, 2017
8	April 18, 2014	\$50,000	\$106,000	April 17, 2017
<b>Total Principal</b>		<b>\$425,000</b>	<b>\$901,000</b>	

Interest on the 3rd Debenture accrues on the unconverted outstanding principal balance hereof at a rate per annum of the lesser of the applicable Federal Rate or six percent (6%) and on a pro rata basis to the extent that each Tranche has been paid. The outstanding amounts due under the 3rd Debenture are convertible at the option of the Fund into shares of the Company's common stock at 100% of the average of the five (5) lowest closing market prices for the Common Stock for the thirty (30) trading days preceding each conversion; provided, however, that the Fund cannot own more than 4.99% of the Company's outstanding shares of common stock at any time, which limit may be waived by the Fund upon 65 days' notice.

As of the date of this Annual Report, the Fund had converted the full amount owed under the A & R 1<sup>st</sup> Debenture into 12,300,099 shares of our common stock, had converted \$19,000 of the 3<sup>rd</sup> Debenture into 2,000,000 shares of our common stock, and had made seven of the eight Tranche payments required under the 3<sup>rd</sup> Debenture.

As described above, on July 12, 2013, we entered into an Exclusive Manufacturing Agreement (the "Agreement") with Atlantic, whereby Atlantic serves as our 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 purchased (A) a convertible promissory note (the "Atlantic Note") in the original principal amount of \$200,000, accruing interest 6% 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").

In accordance with the SPA, Atlantic agrees to lend to the Company up to \$200,000, as follows:

\$50,000 (comprised of \$25,000 in cash and \$25,000 in insole development and tooling costs associated with (i) manufacturing insoles containing the Company's GPS devices, the value of which shall be determined by Atlantic (the "Services")); and

(ii) 3 installments of \$50,000 (each comprised of \$25,000 in cash and \$25,000 in Services) of which two installments and a portion of the third installment (\$12,500) has been received as of the date of this Annual Report.



Atlantic may 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.

The Company issued a Warrant to Atlantic, whereby Atlantic is entitled to purchase from the Company a total number of shares of common stock, such that, when added to the total number of shares of common stock acquired by Atlantic upon conversion of the Atlantic Note, equals 12% of the common stock outstanding as of the date of such conversion, as such total outstanding amount may, be increased by issuances of common stock occurring on or prior to November 13, 2014 (or by issuances of common stock occurring after November 13, 2014 but pursuant to convertible instruments issued or commitments made by the Company prior to November 13, 2014) other than issuances of excluded securities as such term is defined in the Atlantic Note, at an exercise price per share equal to \$0.001 per share, at any time and from time to time on or after the Closing Date and through and including November 13, 2020.

On June 26, 2013, the Company entered into a Convertible Promissory Note with BSM Lending, LLC, for the principal sum of \$30,000 plus interest of 15% per annum (the "BSM Note") and matures on June 25, 2014. The Company may repay the BSM Note and accrued interest at any time prior to maturity. The BSM Note is convertible into shares of common stock of the Company at a price equal to 65% of the 5 day average closing price per share of the Company's common stock (the "Conversion Rate"). BSM may elect to convert in increments of less than 9.9% of the issued and outstanding shares of common stock of the Company, however, the Company will give the option to BSM to convert any amount exceeding 9.9% prior to such a conversion. Additionally, the BSM Note includes an automatic conversion feature whereby all amounts of principal will be converted into shares of common stock at the then effective Conversion Rate upon the sale of all or substantially all of the assets of the Company or in the event of a change in control.

The licensing agreements, distribution agreements and product sales initiatives we have in place have, to date, not generated substantial revenues. No assurance can be given that our current contractual arrangements and the revenues from our GPS tracking shoes, device sales, subscriptions, Alertags, software licensing, or our smart phone or tablet Apps will generate significant revenues during the balance of 2014.

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 2014. 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, 2013:

	<b>Total</b>	<b>Payments due by period</b>		
		<b>Less than 1 year</b>	<b>1-3 years</b>	<b>More than 3 years</b>
1 <sup>st</sup> Debenture	\$ 53,438	\$ 53,438	\$ -	\$ -
2 <sup>nd</sup> Debenture	200,000	-	-	200,000
3 <sup>rd</sup> Debenture	477,000	-	477,000	-
Atlantic Note	112,500	112,500	-	-
BSM Note	30,000	30,000	-	-
<b>Total</b>	<b>\$ 872,938</b>	<b>\$195,938</b>	<b>\$477,000</b>	<b>\$200,000</b>

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 \$1,504,910 and \$1,217,509 for the years ended December 31, 2013 and 2012, respectively, has incurred losses since inception resulting in an accumulated deficit of \$15,435,865 as of December 31, 2013, and has negative working capital of approximately \$736,000 as of December 31, 2013. A significant part of our negative working capital position at December 31, 2013 consisted of \$306,250 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. Obtainment of additional financing or its attainment of profitable operations is 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.

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### Revenue Recognition

Revenues consist primarily of the sale of our the monthly service fee from subscribers of the GPS Shoe, our mobile tracking applications sold via the Apple iTunes Store and the Google Marketplace, the sale of GPS tracking devices and the related monthly service fees, licensing agreements, and the sale of Code Amber Alertags.

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 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.

### 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, 2013, products returned for repair or replacement have been immaterial. Accordingly, a warranty liability has not been deemed necessary. The