

GTX CORP
Form 10-Q
November 19, 2012

FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2012

OR

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

For the transition period from _____ to _____

Commission file number **000-53046**

GTX Corp

(Exact name of registrant as specified in its charter)

Nevada

98-0493446

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

117 W. 9th Street, Suite 1214, Los Angeles, CA, 90015
(Address of principal executive offices) (Zip Code)

(213) 489-3019
(Registrant's telephone number, including area code)

Edgar Filing: GTX CORP - Form 10-Q

(Former name, former address and former fiscal year, if changed since last report.)

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 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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 85,401,372 common shares issued and outstanding as of November 15, 2012.

Table of Contents

GTX CORP AND SUBSIDIARIES

For the quarter ended September 30, 2012

FORM 10-Q

PAGE NO.

PART I. FINANCIAL INFORMATION

| | |
|--|----|
| Item 1. Financial Statements: | |
| <u>Consolidated Balance Sheets at September 30, 2012 (unaudited) and December 31, 2011</u> | 3 |
| <u>Consolidated Statements of Operations for the three and nine months ended September 30, 2012 and 2011 (unaudited)</u> | 4 |
| <u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 (unaudited)</u> | 5 |
| <u>Notes to Consolidated Financial Statements (unaudited)</u> | 6 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 12 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 20 |
| Item 4. <u>Controls and Procedures</u> | 20 |

PART II. OTHER INFORMATION

| | |
|--|----|
| Item 1. <u>Legal Proceedings</u> | 21 |
| Item 1A. <u>Risk Factors</u> | 21 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 21 |
| Item 3. <u>Defaults Upon Senior Securities</u> | 21 |
| Item 4. <u>Mine Safety Disclosures</u> | 21 |
| Item 5. <u>Other Information</u> | 21 |
| Item 6. <u>Exhibits</u> | 22 |

Signatures

Table of Contents**PART I****ITEM 1. FINANCIAL STATEMENTS**GTX CORP
CONSOLIDATED BALANCE SHEETS

| | September 30, 2012 (Unaudited) | December 31, 2011 |
|---|--------------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 14,686 | \$ 91,639 |
| Accounts receivable, net | 23,153 | 129,836 |
| Inventory, net | 1,955 | 144,950 |
| Other current assets | 14,955 | 6,653 |
| Total current assets | 54,749 | 373,078 |
| Property and equipment, net | 131,989 | 299,225 |
| Other assets | 25,972 | 25,972 |
| Total assets | \$ 212,710 | \$ 698,275 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 211,508 | \$ 269,915 |
| Accrued expenses - related parties | 357,970 | 121,820 |
| Deferred revenues | 30,806 | 171,543 |
| Short-term debt | 30,125 | — |
| Total current liabilities | 630,409 | 563,278 |
| Total liabilities | 630,409 | 563,278 |
| Commitments and contingencies | | |
| Stockholders' equity (deficit): | | |
| Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, \$0.001 par value; 2,071,000,000 shares authorized; 81,660,727 and 72,688,980 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively | 81,660 | 72,689 |

Edgar Filing: GTX CORP - Form 10-Q

| | | |
|--|--------------|--------------|
| Additional paid-in capital | 13,212,983 | 12,775,754 |
| Accumulated deficit | (13,712,342) | (12,713,446) |
| Total stockholders' equity (deficit) | (417,699) | 134,997 |
| Total liabilities and stockholders' equity (deficit) | \$212,710 | \$698,275 |

See accompanying notes to consolidated financial statements

Table of Contents

GTX CORP
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended September | | Nine Months Ended September | |
|--|------------------------------|--------------|-----------------------------|----------------|
| | 30, | | 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | \$45,062 | \$ 367,960 | \$309,922 | \$ 622,528 |
| Cost of goods sold | 23,898 | 346,688 | 256,974 | 530,024 |
| Gross profit | 21,164 | 21,272 | 52,948 | 92,504 |
| Operating expenses | | | | |
| Salaries and professional fees | 248,424 | 322,757 | 808,174 | 1,042,071 |
| General and administrative | 41,222 | 63,469 | 253,420 | 207,455 |
| Total operating expenses | 289,646 | 386,226 | 1,061,594 | 1,249,526 |
| Loss from operations | (268,482) | (364,954) | (1,008,646) | (1,157,022) |
| Other income (expense) | | | | |
| Finance costs | (2,250) | - | (6,500) | - |
| Dismissal of litigation | - | - | 16,250 | - |
| Derivative income | - | 13,898 | - | 74,340 |
| Gain on conversion of debt | - | - | - | 9,552 |
| Interest expense | - | (8,483) | - | (90,673) |
| Total other income (expense) | (2,250) | 5,415 | 9,750 | (6,781) |
| Net loss | \$(270,732) | \$ (359,539) | \$(998,896) | \$ (1,163,803) |
| Weighted average number of common shares outstanding - basic and diluted | 79,312,901 | 65,724,129 | 76,876,882 | 57,396,718 |
| Net loss per share - basic and diluted | \$(0.00) | \$ (0.01) | \$(0.01) | \$ (0.02) |

See accompanying notes to consolidated financial statements

Table of Contents

GTX CORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Nine Months Ended September | |
|--|-----------------------------|---------------|
| | 30, | |
| | 2012 | 2011 |
| Cash flows from operating activities | | |
| Net loss | \$(998,896) | \$(1,163,803) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation and amortization | 78,785 | 147,597 |
| Impairment of software development costs | 103,000 | - |
| Dismissal of litigation | (16,250) | - |
| Discount on loan payable | - | 10,000 |
| Stock based compensation | 277,816 | 429,970 |
| Line of credit finance costs | 4,500 | - |
| Gain on conversion of debt | - | (9,552) |
| Amortization of debt discount | - | 24,051 |
| Change in fair value of derivative liability | - | (14,500) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 106,683 | (182,828) |
| Inventory | 142,995 | 33,051 |
| Other current assets | (7,927) | (15,058) |
| Accounts payable and accrued expenses | (26,158) | 25,082 |
| Accrued expenses-related parties | 236,150 | 99,032 |
| Deferred revenues | (140,737) | (23,267) |
| Net cash used in operating activities | (240,039) | (640,225) |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (14,549) | (39,450) |
| Net cash used in investing activities | (14,549) | (39,450) |
| Cash flows from financing activities | | |
| Proceeds from line of credit, net | 15,625 | - |
| Proceeds from loan payable, net | 10,000 | 10,000 |
| Proceeds from issuance of common stock | 152,010 | 625,262 |
| Net cash provided by financing activities | 177,635 | 635,262 |
| Net decrease in cash and cash equivalents | (76,953) | (44,413) |
| Cash and cash equivalents, beginning of period | 91,639 | 66,488 |

Edgar Filing: GTX CORP - Form 10-Q

| | | | |
|---|-----------|---|------------|
| Cash and cash equivalents, end of period | \$ 14,686 | | \$ 22,075 |
| Supplemental disclosure of cash flow information: | | | |
| Income taxes paid | \$ | - | \$ - |
| Interest paid | \$ | - | \$ - |
| Supplementary disclosure of noncash activities: | | | |
| Issuance of common stock for development of Apps (Property & equipment) | \$ | - | \$ 61,548 |
| Issuance of common stock for accrued wages | \$ 16,000 | | \$ 120,000 |
| Issuance of common stock for conversion of notes payable | \$ | - | \$ 97,000 |

See accompanying notes to consolidated financial statements

Table of Contents

GTX CORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2012

(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

GTX Corp and its subsidiaries (the “Company” or “GTX”) are engaged in businesses that design, develop and sell various interrelated and complementary products and services in the Personal Location Services marketplace. GTX owns 100% of the issued and outstanding capital stock of Global Trek Xploration (“GTX California”), LOCiMOBILE, Inc., and Code Amber News Service, Inc. (“CANS”). 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 Code Amber Alertag.

The accompanying unaudited consolidated financial statements of GTX have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and applicable regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of financial position and results of operations have been included. Our operating results for the three and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The accompanying unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2011, which are included in our Annual Report on Form 10-K, and the risk factors contained therein.

The consolidated financial statements reflect the accounts of GTX Corp and its wholly owned subsidiaries; Global Trek Xploration, LOCiMOBILE, Inc. and Code Amber News Service, Inc. All significant inter-company balances and transactions have been eliminated in consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of the accompanying unaudited consolidated financial statements requires the use of estimates that affect the reported amounts of assets, liabilities, revenues, expenses and contingencies. These estimates include, but are not limited to, estimates related to revenue recognition, allowance for doubtful accounts, inventory valuation, tangible and intangible long-term asset valuation, warranty and other obligations and commitments. Estimates are updated on an ongoing basis and are evaluated based on historical experience and current circumstances. Changes in facts and circumstances in the future may give rise to changes in these estimates which may cause actual results to differ from current estimates.

Table of Contents

Reclassifications

For comparability, certain prior period amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2012.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

3. RELATED PARTY TRANSACTIONS

In order to preserve cash for other working capital needs, various officers and members of management have agreed to accrue portions of their salary since fiscal 2009. As of September 30, 2012 and December 31, 2011, the Company owed \$357,970 and \$121,820, respectively for such accrued wages.

4. CUSTOMER CONCENTRATIONS

During January 2012, the Company delivered 1,500 GPS tracking devices to Aetrex Worldwide, Inc. ("Aetrex") thereby increasing the total number of devices sold to Aetrex to 4,500 and recognizing approximately \$158,000 of revenue or 51% of total revenues during the nine months ended September 30, 2012. In accordance with its license agreement dated March 18, 2010 (the "License Agreement") Aetrex has been granted the right to embed our GPS tracking device into its Aetrex Navistar™ GPS Shoe (the "Navistar™ GPS Shoe") and has the inventory available for immediate delivery to consumers and channel partners. As these shoes are shipped and activated GTX will realize, on average, \$32.50 of gross revenue per month per pair. The License Agreement stipulates a one year warranty from the date of product acceptance by Aetrex. Based on management's estimates, no accrual for warranty liability is necessary as of September 30, 2012. The Navistar™ GPS Shoes are currently targeted at senior citizens afflicted with dementia. The principal source of revenues from these shoes is expected to be realized from the monthly service fees (a portion of which will be shared with Aetrex) that the owners of the Navistar™ GPS Shoes are required to pay.

Commercial sales of the Navistar™ GPS Shoe, which began in December 2011, have not been at the levels anticipated by GTX management. Accordingly, Aetrex has not needed to purchase additional GPS devices and because of slow sales and GPS activations during the initial introductory period of this product, we have not generated a material amount of monthly service fees. As such, on September 19, 2012, Aetrex loaned the Company \$10,000 ("Aetrex Loan") for working capital needs. The loan is non-interest bearing and is due on November 30, 2012. In addition to the Aetrex Loan, as of September 30, 2012 the Company owes Aetrex approximately \$8,500 primarily

related to payments received by the Company for sales of the Navistar™ GPS Shoes, as well as, Aetrex's portion of the monthly service fees.

During August 2012, the Company entered into a mobile to mobile services agreement with a service provider located in the United Kingdom. This agreement enables the Company to provide greater GPS services in the U.K. and throughout the world. With the onset of the agreement, Aetrex began offering the Navistar™ GPS Shoe for commercial sale in Ireland during October 2012.

Table of Contents

5. LINE OF CREDIT AGREEMENT

On June 27, 2012, the Company entered into an agreement with an unrelated third party (the “Holder”) for a \$55,000 line of credit (the “Line Agreement”). In accordance with the Line Agreement, the Company is required to repay 115% of each amount advanced (the “Advance Amount”) and must make mandatory payments on each Advance Amount every 30 days from the date the Advance Amount is requested in an amount equal to 1/3 of the Advance Amount. All Advance Amounts shall be repaid in full by the maturity date, November 27, 2012. The Company issued the Holder 250,000 shares of its common stock as an incentive for entering into the Line Agreement. The stock was valued at the current market price of \$0.04 per share or \$10,000. The Company paid the Holder administrative fees totalling \$2,000 for due diligence, document creation expense, closing costs, and transaction administration expenses. In the event the Company raises in excess of \$25,000 from a financing, and there are unpaid Advance Amounts under the Line Agreement, the Company shall use any funds in excess of the \$25,000 to repay the Holder any amounts outstanding. In the event the volume weighted average price of the Company’s common stock is below \$.025 for a period of five days, no further advance requests can be submitted by the Company. In accordance with the Line Agreement, the Company is obligated to issue up to 640,645 shares to secure the re-payment of the Advance Amounts.

As of September 30, 2012, we had borrowed \$30,000 under the Line Agreement, recognized an additional \$4,500 in finance costs and made payments to the Holder totalling \$14,375 resulting in a net amount owed under the Line Agreement of \$20,125 at September 30, 2012. The Company has not made the mandatory payments on the Advance Amounts in accordance with the Line Agreement. See further discussion at Note 8 – Subsequent Events.

6. EQUITY

Common Stock

During the nine months ended September 30, 2012, the Company issued 6,856,250 shares of common stock, subject to restrictions upon transfer pursuant to Rule 144, as promulgated under the Securities Act of 1933, as amended, to various officers, members of management and consultants as compensation for services rendered as follows:

- On February 3, 2012, the Company issued 600,000 shares of common stock at \$.07 per share to various consultants for services rendered at an expense of \$42,000.
- On April 10, 2012, the Company issued 531,250 shares of common stock at \$0.08 per share to various consultants, members of management and board members for services rendered at an expense of \$42,500. Additionally, 1,500,000 shares of common stock were issued to members of the Board of Directors with repurchase rights whereby the Company retained the rights to acquire the shares from the stock recipients and such repurchase rights lapsed ratably over twelve months at a rate of 1/12th per month beginning on January 1, 2012, and are recorded as an Other Current Asset in the accompanying consolidated financial statements. Upon vesting, the shares are revalued based on the average stock price during the respective month and the related stock based compensation expense is recognized. As of September 30, 2012, the Company has recognized approximately \$60,000 of expense

related to the shares issued with repurchase rights.

· On June 22, 2012, the Company issued 875,000 shares of common stock at \$0.04 per share to various consultants and employees for services rendered at an expense of \$35,000. Additionally, 400,000 shares of common stock at \$0.04 per share valued at \$16,000 were granted to the Company's Chief Executive Officer and Chief Operating Officer as payment for portions of their salary that had been accrued since 2009 (See Note 3).

8

Table of Contents

On June 27, 2012, the Company issued 250,000 shares of common stock at \$0.04 per share in conjunction with the Line Agreement at an expense of \$10,000 (See Note 6).

On September 10, 2012, the Company entered into a six month consulting agreement for corporate advisory services and granted the consulting firm 2,000,000 shares of common stock (valued at \$40,000) and a warrant to purchase up to 2,000,000 shares of common stock. The warrant has a three year term and may be exercised at an exercise price of \$0.02 per share. The fair value of the warrant is estimated to be approximately \$29,000 using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield 0%, expected volatility 126%, risk-free interest rate 0.25%, and expected life of 36 months. The value of the common stock shares and warrant totaling \$69,000 has been expensed as stock based compensation during the nine months ended September 30, 2012.

On September 18, 2012, the Company issued 700,000 shares of common stock at \$0.02 per share to various consultants for services rendered at an expense of \$14,000.

In connection with the Company's equity line financing arrangement (the "Equity Line") with Dutchess Opportunity Fund, II, LP ("Dutchess"), during the nine months ended September 30, 2012 the Company sold to Dutchess a total of 2,115,497 shares of common stock, at a weighted average price of \$0.072 per share resulting in proceeds of \$152,010. As of September 30, 2012 there were 640,645 additional shares of common stock remaining under the Equity Line. See further discussion at Note 8 – Subsequent Events.

Common Stock Warrants

Since inception, the Company has issued warrants to purchase shares of the Company's common stock to shareholders, consultants and employees as compensation for services rendered and/or through private placements. As discussed above, on September 10, 2012 the Company issued to a consultant a warrant to purchase up to 2,000,000 shares of common stock. The warrant has a three year term and may be exercised at an exercise price of \$0.02 per share. The fair value of the warrant is estimated to be approximately \$29,000.

A summary of the Company's warrant related information as of September 30, 2012 is as follows:

| Stock Warrants as of September 30, 2012 | | | |
|---|----------------------|------------------------|----------------------|
| Exercise Price | Warrants Outstanding | Remaining Life (Years) | Warrants Exercisable |
| \$0.40 | 1,271,000 | 0.54 | 1,271,000 |
| \$0.08 | 5,720,000 | 1.38 | 5,720,000 |
| \$0.02 | 2,000,000 | 2.94 | 2,000,000 |
| | 8,991,000 | 1.61 | 8,991,000 |

Common Stock Options

During the nine months ended September 30, 2012 and 2011, the Company recorded compensation expense related to options granted under the 2008 Equity Compensation Plan (the “2008 Plan”) of \$5,310 and \$37,913, respectively.

The 2008 Plan provides for the issuance of a maximum of 7,000,000 shares of which, after adjusting for estimated pre-vesting forfeitures, options for approximately 194,000 shares were still available for grant under the plan as of September 30, 2012.

Table of Contents

Stock option activity under the 2008 Plan for the nine months ended September 30, 2012 is summarized as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) | Grant Date Fair Value |
|---------------------------------------|------------|--|---|--------------------------|
| Outstanding at December 31, 2011 | 2,576,578 | \$ 0.34 | | \$326,317 |
| Options granted | 450,000 | \$ 0.08 | | 14,768 |
| Options exercised | — | | | — |
| Options cancelled/ forfeited/ expired | (554,587) | \$ 0.44 | | (112,646) |
| Outstanding at September 30, 2012 | 2,471,991 | \$ 0.21 | 1.01 | \$228,439 |
| Exercisable at September 30, 2012 | 2,146,001 | \$ 0.21 | 0.92 | \$217,140 |

As of September 30, 2012, after adjusting for estimated pre-vested forfeitures, there was approximately \$15,000 of unrecognized compensation cost related to unvested stock options which is expected to be recognized during the remainder of fiscal year 2012.

7. COMMITMENTS & CONTINGENCIES

On June 27, 2012, the Company entered into an Investment Agreement (“Investment Agreement”) with Dutchess pursuant to which, Dutchess committed to purchase up to \$5,000,000 of the Company’s common stock, over the course of thirty-six months (the “Equity Line Financing”). The aggregate number of shares issuable by the Company and purchasable by the Investor under the Investment Agreement is 15,000,000. Concurrently, the Company entered into a Registration Rights Agreement (“Registration Rights Agreement”) with Dutchess, whereby the Company is obligated to file a registration statement with the Securities and Exchange Commission to register the resale by the Investor of 15,000,000 shares of the common stock underlying the Investment Agreement by or before September 10, 2012. As of November 15, 2012, the Company had not filed the registration statement and had not registered the 15,000,000 shares of common stock for resale by Dutchess. Funding under the Equity Line Financing is not available to the Company until the 15,000,000 shares of common stock have been registered for resale with the Securities and Exchange Commission. Accordingly, the Investment Agreement is not currently available to the Company and cannot be used to provide working capital.

The Company provides the credit card processing and receives all payments related to the sale and monthly service fees of the Navistar™ GPS Shoes. Such amounts owed to Aetrex for the shoe sales and their portion of the monthly service fees are to be repaid by the end of the month following the sale. As of September 30, 2012, we owe Aetrex approximately \$8,500 related to sales of the Navistar™ GPS Shoes, as well as, Aetrex’s portion of the monthly service fees.

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.

In January 2011, a lawsuit was filed against the Company by a former independent contractor who claimed we owed him \$16,250 for services rendered during 2008 and 2009. In May 2012, the court dismissed the complaint in its entirety without prejudice. Accordingly, we have removed the litigation accrual from our consolidated financial statements and recognized income totalling \$16,250 from the dismissal of the litigation during the nine months ended September 30, 2012.

We are not currently a party to any material litigation.

Table of Contents

8. SUBSEQUENT EVENTS

On October 2, 2012 the Company granted a total of 3,100,000 shares of common stock at \$0.02 per share to four persons consisting of two contractors, our Chief Executive Officer and a Board Member as compensation for services rendered, the grant-date fair value of which was estimated at \$62,000. The issuances to our Chief Executive Officer, the Board member and one contractor consisted of 1,000,000 shares of common stock each (total value of \$60,000), which were issued in lieu of payment for accrued wages. The remaining 100,000 shares of common stock, valued at \$2,000, were expensed as stock based compensation.

On November 12, 2012, the Company sold to Dutchess the remaining 640,645 shares of common stock, available under the Equity Line at a price of \$0.022 per share, resulting in proceeds of approximately \$14,000. Such proceeds will be used to pay off the remaining balance owed on the Advance Amounts in accordance with the Line Agreement.

On November 14, 2012, (the "Effective Date") the Company entered into a convertible promissory note in the principal amount of \$200,000 with an independent third party (the "Lender"), (the "Note"). The Note contains a 10% original issue discount (the "OID") and accordingly a maximum of \$180,000 of consideration ("Consideration") can be advanced under the Note. Upon closing of the Note, the Lender made an initial \$25,000 advance of Consideration to the Company; the Lender may pay additional Consideration to the Company as loan advances in such amounts and at such dates as the Lender may choose in its sole discretion. The principal sum due to the Lender is prorated based on the Consideration actually paid by the Lender plus the OID. The maturity date of the Note is one year from the Effective Date and is the date upon which the principal sum of the Note, as well as any unpaid interest and other fees, is due and payable. The conversion price is the lesser of \$0.025 or 70% of the lowest trade price in the 25 trading days previous to the conversion. Unless otherwise agreed in writing by both parties, at no time will the Lender convert any amount of the Note into common stock that would result in the Lender owning more than 4.99% of the common stock outstanding. The Company may repay each loan advance at any time on or before 180 days from the date that the advance is received, after which we may not make further payment on that advance amount without written approval from the Lender. If the Company repays the Note on or before 90 days from the date received, the Interest Rate shall be 0%. If the Company does not repay the advance amount on or before 90 days from the date received, a one-time interest charge of 10% shall be applied to the advance amount, which interest charge is in addition to the OID.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report include forward-looking statements. These forward looking statements are based on our management's current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "proposed," "intended," or "continue" or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other "forward-looking" information. Many factors could cause our actual results to differ materially from those projected in these forward-looking statements, including but not limited to: variability of our revenues and financial performance; risks associated with product development and technological changes; the acceptance our products in the marketplace by existing and potential future customers; general economic conditions. You should be aware that the occurrence of any of the events described in this Quarterly Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report to conform these statements to actual results.

Introduction

As used in this Quarterly Report, the terms "GTX Corp", "we", "us", "our", and "the Company" mean GTX Corp and our three wholly-owned subsidiaries.

Operations

We currently conduct our operations through three wholly-owned subsidiaries that operate in various interrelated sectors of the emerging Location-Based Services and Proximity Marketing industry (the emerging industry for localized wireless distribution of advertising associated with a particular place based on the specific location of the person carrying the smartphone). Our subsidiaries are summarized as follows:

- Global
Trek Xploration
("GTX
California")
focuses on
hardware and
software 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 GTX California business model is to license its technology platforms to branded partners who desire to deliver their own innovative tracking solutions to consumers or their customers in a wide variety of wearable and

portable
location
devices. The
GTX California
value
proposition is
its ability to
customize,
localize and
optimize an
embedded
approach to the
tracking and
monitoring
market. GTX
California
believes that its
ability to
customize its
products to
different form
factors for the
specific needs
of its branded
partners sets it
apart from its
competitors. To
date, the
Company has
created two
custom
solutions in two
separate vertical
markets (the
monitoring of
seniors and the
monitoring of
high value
assets) and has
on-going
initiatives to
develop and
deploy
additional
custom
hardware,
software,
monitoring and
connectivity
solutions in
other vertical

markets.

Table of Contents

· LOCiMOBILE, Inc., our mobile application subsidiary, has developed and owns LOCiMOBILE® a suite of mobile tracking applications that turn the latest smartphones and tables 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 November 15, 2012, our 18 Apps have experienced over 1.4 million downloads in 160 countries. With our most recent release of our newest App, *Track My Work Force*, we continue to rollout our development slate of new and innovative products. These will include a series of application that will be geared for the enterprise user, by offering “private label” versions of our popular consumer Apps to companies looking for a more personalized and secure method of keeping track of their employees. In addition, our goal is to expand into the proximity marketing business and begin to leverage our global user base. Our roadmap also consists of additional application for the iPad, other tablets, TVs, and more applications for the iPhone, BlackBerry and Google Android operating systems, all of which are expected to contribute to our user base community, the value of our brand, and revenues from App sales, monthly subscriptions and advertising.

· Code Amber News Service, Inc. (“CANS”) is our wholly-owned subsidiary that is the U.S. and Canadian syndicator and content provider of all state Amber Alerts (public notifications of child abductions) and missing person alerts. CANS reaches close to a half a million viewers a day through its widely distributed Code Amber website and desktop tickers, wireless Amber Alerts and Missing Endangered Persons alerts delivered to cell phones and PDAs and support of over 500 local and federal law enforcement agencies. To date, our CANS operations has primarily been used to generate goodwill for our products through its public service announcements. Our goal is to position CANS to generate revenues from brand licensing, sponsorships, and data feeds. In addition CANS plays a significant part in our overall outreach campaign, primarily used to generate awareness of our GPS products and applications. CANS provides website tickers and news feeds to merchants, internet service providers, affiliate partners, corporate sponsors and local, state and federal agencies.

Additionally, CANS markets and sells the patent pending electronic medical Code Amber Alertag and has recently signed up dozens of online affiliates and channel partners with nearly 300 affiliates in 61 countries and 25 active fundraising organizations throughout the United States that are selling the Alertag. The Alertag comes with an annual \$19.95 subscription based model and compliments the overall GTX business model of providing peace of mind and personal location solutions.

Table of Contents**Results of Operations**

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

Three Months Ended September 30, 2012 Compared to the Three Months Ended September 30, 2011

| | Three Months Ended September 30, | | 2011 | |
|--------------------------------|----------------------------------|---------------|-------------|---------------|
| | 2012 | | 2011 | |
| | \$ | % of Revenues | \$ | % of Revenues |
| Revenues | \$45,062 | 100% | \$367,960 | 100% |
| Cost of goods sold | 23,898 | 53% | 346,688 | 94% |
| Net profit | 21,164 | 47% | 21,272 | 6% |
| Salaries and professional fees | 248,424 | 551% | 322,757 | 88% |
| General and administrative | 41,222 | 92% | 63,469 | 17% |
| Operating expenses | 289,646 | 643% | 386,226 | 105% |
| Loss from operations | (268,482) | (596)% | (364,954) | (99)% |
| Other income (expense), net | (2,250) | (5)% | 5,415 | 1 % |
| Net loss | \$(270,732) | (601)% | \$(359,539) | (98)% |
| <i>Revenues</i> | | | | |

Revenues during the third quarter of 2012 decreased by \$322,898 or 88% in comparison to 2011 due primarily to revenues generated from the shipment in 2011 of approximately 3,000 of our GPS devices to Aetrex Worldwide, Inc. (“Aetrex”) for use in its Aetrex Navistar™ GPS Shoe (the “Navistar™ GPS Shoe”). No such sale occurred during the third quarter of 2012. Additionally, revenues generated from our Apps decreased by \$28,000, or 66%, to approximately \$14,000 when compared to the third quarter of 2011. This decrease is attributable to a large portion of subscriber downloads in 2012 relating to upgrades by current subscribers, which upgrades are provided free of charge. These decreases were offset by the sale and renewal of a total of 1,500 Alertags resulting in revenues of approximately \$20,000 during the third quarter of 2012.

Cost of goods sold

Cost of goods sold decreased \$322,790 or 93% during the third quarter of 2012 in comparison to 2011 due to the cost of the GPS devices we shipped to Aetrex in 2011 (we did not ship any GPS devices to Aetrex in the 2012 quarter). Cost of goods sold during the third quarter of 2012 consists primarily of the commissions paid on the sale of our Apps to our subscribers, the cost of producing the Alertags sold during the period, and depreciation on the capitalized costs of the Apps that we sell.

Salaries and professional fees

Salaries and professional fees during the third quarter of 2012 decreased \$74,333 or 23% in comparison to the third quarter of 2011 due primarily to reductions in staff and management positions, as well as, marketing and public relations services. These reductions will remain in place as we maintain a low-overhead approach to operations that will adjust as operations require.

General and administrative

General and administrative expenses consist primarily of corporate administrative costs, depreciation, occupancy costs, insurance, office expenses, website maintenance and travel and entertainment. Such costs during the third quarter of 2012 decreased \$22,247 or 35% in comparison to the third quarter of 2011 due primarily to reductions in depreciation expense, insurance, bad debt expense and various cost cutting measures which are expected to continue through 2012.

Other Income (Expense), net

Other income (expense), net for the third quarter of 2012 consists of finance costs charged on advances made on our line of credit. During the third quarter of 2012 we drew \$15,000 on the line resulting in finance costs of \$2,250. Other income (expense), net for the third quarter of 2011 is primarily attributable to derivative income related to our convertible promissory notes which were paid in full during 2011.

Table of Contents***Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011***

| | Nine Months Ended September 30, | | 2011 | |
|--------------------------------|---------------------------------|---------------|---------------|---------------|
| | 2012 | | | 2011 |
| | \$ | % of Revenues | \$ | % of Revenues |
| Revenues | \$309,922 | 100% | \$622,528 | 100% |
| Cost of goods sold | 256,974 | 83% | 530,024 | 85% |
| Net profit | 52,948 | 17% | 92,504 | 15% |
| Salaries and professional fees | 808,174 | 261% | 1,042,071 | 167% |
| General and administrative | 253,420 | 82% | 207,455 | 33% |
| Operating expenses | 1,061,594 | 343% | 1,249,526 | 201% |
| Loss from operations | (1,008,646) | (326)% | (1,157,022) | (186)% |
| Other income (expense), net | 9,750 | 3% | (6,781) | (1) % |
| Net loss | \$(998,896) | (322)% | \$(1,163,803) | (187)% |
| <i>Revenues</i> | | | | |

Revenues for the nine months ended September 30, 2012 decreased \$312,606 or 50% as compared to the same period in 2011 primarily due to a decrease in the number of GPS devices sold to Aetrex for use in their Navistar™ GPS Shoe. During the nine months ended September 30, 2012 and 2011, we sold 1,500 and 3,000 GPS devices, respectively to Aetrex. In addition to revenues being generated from the sale of GPS devices to Aetrex, when the Navistar™ GPS Shoe is sold by Aetrex, and activated by the end user, that customer is required to pay us a monthly service fee, a portion of which is shared with Aetrex. Commercial sales of the Navistar™ GPS Shoe, which began in December 2011, have not been at the levels anticipated by management. Accordingly, Aetrex has not needed to purchase additional GPS devices. Concurrently, because of slow sales and GPS activations during the initial introductory period of this product, we have not generated a material amount of monthly service fees as of September 30, 2012. As news about the Navistar™ GPS Shoe spreads, and with the recent availability of the Navistar™ GPS Shoe in the U.K. and Ireland, management anticipates the sale of the Navistar™ GPS Shoe to increase over the next twelve months. Also contributing to our decrease in revenues was a \$98,000 or 59% decrease in our App revenues, to approximately \$69,000 when compared to the nine months ended September 30, 2011. This decrease is attributable to a large portion of subscriber downloads in 2012 relating to upgrades by current subscribers, which upgrades are provided free of charge. These decreases were offset by the sale and renewal of a total of 1,500 Alertags, resulting in revenues of approximately \$20,000 during the nine months ended September 30, 2012.

Cost of goods sold

Cost of goods sold for the nine months ended September 30, 2012 decreased \$273,050 or 51% compared to the nine months ended September 30, 2011 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.

Salaries and professional fees

Salaries and professional fees during the nine months ended September 30, 2012 decreased \$233,897 or 22% compared to the same 2011 period primarily due to reductions in staff and management positions and marketing and public relations services, all in an effort to cut costs. These reductions will remain in place as we maintain a low-overhead approach to operations that will adjust, as operations require.

General and administrative

General and administrative costs during the nine months ended September 30, 2012 increased \$45,965 or 22% in comparison to the nine months ended September 30, 2011 due to the impairment of capitalized software development costs. Management re-assessed the value of our capitalized software development costs and determined that, based on the revenues generated from our Apps, that the capitalized assets had been impaired. Accordingly, we wrote-down the software development costs to the estimated net realizable value of approximately \$44,000 and recognized an impairment charge of \$103,000 during the nine months ended September 30, 2012. General and administrative expenses also consist of corporate administrative costs, depreciation, occupancy costs, insurance and travel and entertainment which, when excluding the impairment charge, decreased 28% during the nine months ended September 30, 2012 in comparison to the nine months ended September 30, 2011 due primarily to reductions in depreciation expense, insurance and travel, as well as, the implementation of various general cost cutting measures.

Other Income (Expense), net

Other income (expense), net for the nine months ended September 30, 2012 primarily consists of \$16,250 of other income recognized from the reversal of a litigation accrual relating to a lawsuit filed against us by a former consultant that was dismissed in May 2012. Also included are finance costs of 15% applied to advances made on a line of credit entered into on June 27, 2012. We drew \$30,000 on the line resulting in finance costs of \$4,500. Additionally, we paid \$2,000 of administrative costs to the Holder of the line of credit. See further discussion in the Liquidity and Capital Resources discussion below. Other income (expense), net for the nine months ended September 30, 2011 is primarily attributable to discount amortization, derivative income and the gain on conversion of our convertible promissory notes which were paid in full during 2011.

Table of Contents

Liquidity and Capital Resources

As of September 30, 2012, we had approximately \$15,000 of cash and cash equivalents, and a working capital deficit of approximately \$576,000 compared to approximately \$92,000 of cash and cash equivalents and a working capital deficit of approximately \$190,000 as of December 31, 2011.

During the nine months ended September 30, 2012, our net loss decreased 14% to approximately \$999,000 compared to a net loss of approximately \$1,164,000 for the same 2011 period. Net cash used in operating activities was approximately \$240,000 for the nine months ended September 30, 2012 compared to \$640,000 during the same 2011 period. The decrease was primarily due to the impairment of capitalized software development costs, a reduction in stock based compensation, reductions in accounts receivable, the shipment of GPS devices to Aetrex, 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 the nine months ended September 30, 2012 and 2011 was approximately \$15,000 and \$39,000, respectively and consisted primarily of payments for the development of our LOCiMOBILE® products, which payments were capitalized.

Net cash provided by financing activities during the nine months ended September 30, 2012 was approximately \$178,000 and primarily consists of proceeds received from the sale of shares under an equity line of financing (the "Equity Line") that we have established with Dutchess Equity Fund, L.P. (now known as Dutchess Opportunity Fund, II, LP) in 2009. During the nine months ended September 30, 2012, we sold 2,115,497 shares of common stock to Dutchess resulting in proceeds of approximately \$152,000. Additionally, we entered into a \$55,000 line of credit on June 27, 2012 upon which we have drawn \$30,000 and made payments totalling \$14,375 as of September 30, 2012. Additionally, Aetrex provided us with a \$10,000 short-term loan for working capital purposes. Net cash provided by financing activities during the nine months ended September 30, 2011 was approximately \$635,000 and consists primarily of proceeds received from the sale of 5,000,803 shares of common stock from the Equity Line financing agreement, resulting in proceeds of \$328,000 and \$297,500 from stock subscription agreements.

Because revenues from our operations have, to date, been insufficient to fund our working capital needs, we have had to rely on the cash we receive from our financing activities, as well as, the Equity Line with Dutchess to fund our capital expenditures and to support our working capital requirements. Although we anticipate (i) that revenues from the Navistar™ GPS Shoe that was released at the end of fiscal 2011 will increase during the remainder of 2012 and in 2013, and (ii) that we will receive additional revenues under our other licenses, the amount and timing of such revenues is unknown. For our internal budgeting purposes, we have assumed that such revenues will not be sufficient to fund all of our planned operating and other expenditure. 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.

Table of Contents

On June 27, 2012, the Company entered into an agreement with an unrelated third party (the "Holder") for a \$55,000 line of credit (the "Line Agreement"). In accordance with the Line Agreement, the Company is required to repay 115% of each amount advanced (the "Advance Amount") and must make mandatory payments on each Advance Amount every 30 days from the date the Advance Amount is requested in an amount equal to 1/3 of the Advance Amount. All Advance Amounts are required to be repaid in full by the maturity date, November 27, 2012. The Company issued the Holder 250,000 shares of its common stock as an incentive for entering into the Line Agreement. The stock was valued at the current market price of \$0.04 per share or \$10,000. The Company paid the Holder administrative fees totalling \$2,000 for due diligence, document creation expense, closing costs, and transaction administration expenses. In the event the Company raises in excess of \$25,000 from a financing, and there are unpaid Advance Amounts under the Line Agreement, the Company shall use any funds in excess of the \$25,000 to repay the Holder any amounts outstanding. In the event the volume weighted average price of the Company's common stock is below \$.025 for a period of five days, no further advance requests can be submitted by the Company. In accordance with the Line Agreement, the Company is obligated to issue up to 640,645 shares to secure the re-payment of the Advance Amounts.

As of September 30, 2012, we had borrowed \$30,000 under the Line Agreement, recognized an additional \$4,500 in finance costs and made payments to the Holder totalling \$14,375 resulting in a net amount owed under the Line Agreement of \$20,125 at September 30, 2012. The Company has not made the mandatory payments on the Advance Amounts in accordance with the Line Agreement as of September 30, 2012.

On September 19, 2012, Aetrex loaned the Company \$10,000 to fund working capital needs as the initial sales of the Navistar™ GPS Shoes have been slow. The loan is non-interest bearing and is due on November 30, 2012. In addition to the Aetrex Loan, as of September 30, 2012 the Company owes Aetrex approximately \$8,500 primarily related to payments received by the GTX for sales of the Navistar™ GPS Shoes, as well as, Aetrex's portion of monthly service fees related to the Navistar™ GPS Shoes.

In connection with the Equity Line with Dutchess, as of September 30, 2012 we had sold 11,359,355 shares of our common stock (at prices ranging from \$0.176 - \$0.050 per share) for net proceeds of approximately \$919,000. The remaining 640,645 shares of common stock available under the Equity Line were sold to Dutchess on November 12, 2012 at a price of \$0.022 per share resulting in proceeds of approximately \$14,000. The foregoing proceeds will be used to pay off the remaining balance owed on the Advance Amounts in accordance with the Line Agreement.

On November 14, 2012, (the "Effective Date") the Company entered into a convertible promissory note in the principal amount of \$200,000 with an independent third party (the "Lender"), (the "Note"). The Note contains a 10% original issue discount (the "OID") and accordingly a maximum of \$180,000 of consideration ("Consideration") can be advanced under the Note. Upon closing of the Note, the Lender made an initial \$25,000 advance of Consideration to the Company; the Lender may pay additional Consideration to the Company as loan advances in such amounts and at such dates as the Lender may choose in its sole discretion. The principal sum due to the Lender is prorated based on the Consideration actually paid by the Lender plus the OID. The maturity date of the Note is one year from the Effective Date and is the date upon which the principal sum of the Note, as well as any unpaid interest and other fees, is due and payable. The conversion price is the lesser of \$0.025 or 70% of the lowest trade price in the 25 trading days previous to the conversion. Unless otherwise agreed in writing by both parties, at no time will the Lender convert any amount of the

Note into common stock that would result in the Lender owning more than 4.99% of the common stock outstanding. The Company may repay each loan advance at any time on or before 180 days from the date that the advance is received, after which we may not make further payment on that advance amount without written approval from the Lender. If the Company repays the amount advanced on or before 90 days from the date received, the Interest Rate shall be 0%. If the Company does not repay the advance amount on or before 90 days from the date received, a one-time interest charge of 10% shall be applied to the advance amount, which interest charge is in addition to the OID.

17

Table of Contents

Because the 2009 Investment Agreement with Dutchess was expiring, on June 27, 2012, the Company entered into a second Investment Agreement (“2012 Investment Agreement”) with Dutchess pursuant to which, Dutchess committed to purchase up to \$5,000,000 of the Company’s common stock, over the course of thirty-six months (the “Equity Line Financing”). The aggregate number of shares issuable by the Company and purchasable by Dutchess under the 2012 Investment Agreement is 15,000,000. Concurrently, the Company entered into a Registration Rights Agreement (“Registration Rights Agreement”) with Dutchess, whereby the Company was obligated to file a registration statement with the Securities and Exchange Commission to register the resale by Dutchess of 15,000,000 shares of the common stock underlying the 2012 Investment Agreement by or before September 10, 2012. As of November 15, 2012, the Company had not filed the registration statement and not registered the resale of the 15,000,000 shares of common stock for resale by Dutchess. Funding under the Equity Line Financing is not available to the Company until the 15,000,000 shares of common stock have been registered for resale with the Securities and Exchange Commission. Accordingly, the 2012 Investment Agreement is not currently available to the Company and cannot be used to provide working capital.

We are currently a party to two licensing agreements (with Aetrex and MNX) and three international distributor agreements. During September 2012, MNX renewed its licensing agreement for an additional \$25,000. Additionally, during August 2012, we entered into a mobile to mobile services agreement with a service provider located in the United Kingdom. This agreement enables the Company to provide greater GPS services in the U.K. and throughout the world. We anticipate that we will generate increased revenues from these agreements and from our current and international distributors. For example, as a result of our mobile to mobile services agreement, Aetrex began offering the Navistar™ GPS Shoe for commercial sale in Ireland during October 2012. However, we expect to incur continued losses until these and our other revenue initiatives collectively generate substantial revenues. No assurance can be given that our current contractual arrangements and the revenues from the Navistar™ GPS Shoes, device sales, subscriptions, Alertags, software licensing, or our smart phone or tablet Apps will be sufficient to fund our anticipated working capital needs by the end of calendar year 2012.

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.

Our funding requirements will depend on numerous factors, including:

- Costs involved in the completion of the hardware, software, interface customization and website development necessary to continue the commercialization of our products;
- The costs of outsourced manufacturing;
- The costs of licensing activities, including product marketing and advertising; and
- Revenues derived from product sales and the licensing of our technology, the sale of GPS enabled shoes in conjunction with the Aetrex Licensing Agreement, the sales of the LOCiMobile® applications for GPS enabled handsets, the sale of Alertags and advertising sales from CANS.

Table of Contents

Despite the potential sales of stock via private placements or the exercise of outstanding stock warrants, proceeds from the Equity Line and Line Agreement, the use of stock to pay for services and other measures available to preserve cash, we currently do not have sufficient liquidity to satisfy our short-term or our long-term cash requirements. Accordingly, we expect that we will have to raise additional funds through the sale of debt or equity securities. 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. We have not identified the sources for the additional financing that we will require, and there is no assurance that sufficient funding through a financing will be available to us at acceptable terms or at all. Any additional funding that we obtain in a financing is likely to reduce the percentage ownership of the Company held by our existing security-holders. The amount of this dilution may be 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, which raises substantial doubt about the Company's ability to continue operations.

Since inception in 2002, we have generated significant losses (as of September 30, 2012, we had an accumulated deficit of approximately \$13,712,000), and we currently expect to incur continued losses until our revenue initiatives collectively generate substantial revenues. Depending on our current contractual arrangements, sales from the GPS enabled shoes by Aetrex, and the revenues from additional LOCiMOBILE® applications, we currently anticipate that our losses will continue into calendar year 2013. Please see the section entitled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2011 for more information regarding risks associated with our business.

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

We do not believe our business and operations have been materially affected by inflation.

Critical Accounting Policies and Estimates

There are no material changes to the critical accounting policies and estimates described in the section entitled "Critical Accounting Policies and Estimates" under Item 7 in our Annual Report on Form 10-K for the year ended December 31,

2011.

19

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company”, we are not required to provide the information under this Item 3.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report (the “Evaluation Date”). Based upon the evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective. Disclosure controls are controls and procedures designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls include controls and procedures designed to reasonably ensure that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

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

Table of Contents

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

We have a working capital deficit and are in need of additional liquidity.

Our business plan had assumed that sales of the Navistar™ GPS Shoes would provide a substantial amount of our working capital this year, which revenues would be supplemented by revenues from our other products. To date, sales of the GPS shoes from some of our third-party vendors have not met our expectations, and revenues from our other products have also been less than we projected. As a result, we currently have a working capital deficit and our revenues are not sufficient to fund our operating needs. Accordingly, we will have to find alternative sources of funding in the near future. Although we signed a promissory note for a \$200,000 loan on November 14, 2012, no assurance can be given that those funds will be available to us. If we are not able to obtain additional funding in the near future, we may have to further reduce our operations or take other action to protect our properties and business. Any such actions may have a negative effect on our shares.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On September 10, 2012, the Company entered into a six month consulting agreement for corporate advisory services with a consulting company, and granted the consulting firm 2,000,000 shares of common stock.

On September 18, 2012, the Company issued 700,000 shares of common stock at \$0.02 per share to four consultants for services rendered at an expense of \$14,000.

On October 2, 2012 the Company granted a total of 3,100,000 shares of common stock at \$0.02 per share to two contractors, our Chief Executive Officer and a Board Member as compensation for services rendered, the grant-date fair value of which was estimated at \$62,000. The issuances to our Chief Executive Officer, the Board member and one contractor consisted of 1,000,000 shares of common stock each, which were issued in lieu of payment for accrued wages.

The above mentioned 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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

21

Table of Contents

ITEM 6. EXHIBITS.

(a) Exhibits

| | |
|---------|--|
| 10.1 | GTXO \$200,000 Promissory Note |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation |
| 101.DEF | XBRL Taxonomy Extension Definition |
| 101.LAB | XBRL Taxonomy Extension Label |
| 101.PRE | XBRL Taxonomy Extension Presentation |

SIGNATURES

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

GTX CORP

/s/ ALEX MCKEAN

Date: November 15, 2012 By: Alex McKean,

Interim Chief Financial Officer (Principal Financial Officer)

/s/ PATRICK BERTAGNA

Date: November 15, 2012 By: Patrick Bertagna,

Chief Executive Officer