

GTX CORP
Form 10-Q
November 19, 2014

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, 2014

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: 188,620,555 common shares issued and outstanding as of November 19, 2014.

GTX CORP AND SUBSIDIARIES

For the quarter ended September 30, 2014

FORM 10-Q

PAGE NO.

PART I. FINANCIAL INFORMATION	3
Item 1. Financial Statements:	3
Consolidated Balance Sheets at September 30, 2014 and December 31, 2013 (unaudited)	3
Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013 (unaudited)	4
Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 (unaudited)	5
Notes to Consolidated Financial Statements (unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures About Market Risk	24
Item 4. Controls and Procedures	25
PART II. OTHER INFORMATION	25
Item 1. Legal Proceedings	25
Item 1A. Risk Factors	25
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	26
Item 3. Defaults Upon Senior Securities	26
Item 4. Mine Safety Disclosures	26
Item 5. Other Information	26
Item 6. Exhibits	27
Signatures	27

PART I**ITEM 1. FINANCIAL STATEMENTS**

GTX CORP AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$15,396	\$64,754
Accounts receivable, net	28,463	1,892
Inventory	1,329	766
Other current assets	29,377	27,740
Total current assets	74,565	95,152
Property and equipment, net	1,945	7,722
Intangible assets	131,602	82,222
Total assets	\$208,112	\$185,096
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$587,218	\$340,226
Accrued expenses - related parties	325,537	306,250
Deferred revenues	39,498	18,991
Short-term debt - related party	—	4,000
Convertible promissory note, net of discount	208,939	90,797
Derivative liabilities	183,186	70,535
Total current liabilities	1,344,378	830,799
Long-term convertible debt	309,295	237,672
Long-term derivative liabilities	621,584	411,708
Total liabilities	2,275,257	1,480,179
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
	170,095	131,352

Edgar Filing: GTX CORP - Form 10-Q

Common stock, \$0.001 par value; 2,071,000,000 shares authorized; 170,095,555 and 131,352,518 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively

Additional paid-in capital	14,804,327	14,009,430
Accumulated deficit	(17,041,567)	(15,435,865)
Total stockholders' deficit	(2,067,145)	(1,295,083)
Total liabilities and stockholders' deficit	\$208,112	\$185,096

See accompanying notes to consolidated financial statements.

3

GTX CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues	\$42,030	\$26,198	\$96,935	\$121,610
Cost of goods sold	19,179	22,751	45,066	69,283
Gross margin	22,851	3,447	51,869	52,327
Operating expenses				
Wages and professional fees	198,626	198,241	613,822	603,831
General and administrative	64,468	33,132	202,852	126,513
Total operating expenses	263,094	231,373	816,674	730,344
Loss from operations	(240,243)	(227,926)	(764,805)	(678,017)
Other income/(expenses)				
Finance costs	—	(200,000)	—	(200,000)
Gain/(Loss) on extinguishment of debt	35,556	(52,106)	(202,771)	(104,868)
Derivative income (expense), net	(155,197)	(108,063)	(604,230)	(124,378)
Interest expense	(18,518)	(8,355)	(33,896)	(17,112)
Total other income/(expenses)	(138,159)	(368,524)	(840,897)	(446,358)
Net loss	\$(378,402)	\$(596,450)	\$(1,605,702)	\$(1,124,375)
Weighted average number of common shares outstanding - basic and diluted	163,672,512	106,711,903	154,376,742	97,705,298
Net loss per common share - basic and diluted	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)

See accompanying notes to consolidated financial statements.

GTX CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities		
Net loss	\$(1,605,702)	\$(1,124,375)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	7,222	58,097
Stock-based compensation	139,208	84,303
Loss on extinguishment of debt	202,771	104,868
Derivative expense, net	604,230	124,378
Finance costs	—	200,000
Changes in operating assets and liabilities:		
Accounts receivable	(26,571)	3,351
Inventory	(563)	(689)
Other current and non-current assets	(24,830)	105,000
Accounts payable and accrued expenses	301,778	100,706
Accrued expenses - related parties	19,287	143,374
Deferred revenues	20,507	(7,665)
Net cash used in operating activities	(362,663)	(208,652)
Cash flows from investing activities		
Purchase of property and equipment	(1,445)	—
Net cash used in investing activities	(1,445)	—
Cash flows from financing activities		
Proceeds from debt	318,750	270,000
Payments of debt	—	(34,500)
Payments on short-term debt - related party	(4,000)	—
Net cash provided by financing activities	314,750	235,500
Net change in cash and cash equivalents	(49,358)	26,848
Cash and cash equivalents, beginning of period	64,754	30,649
Cash and cash equivalents, end of period	\$15,396	\$57,497
Supplemental disclosure of cash flow information:		
Income taxes paid	\$—	\$—
Interest paid	\$—	\$—
Supplemental disclosure of noncash investing and financing activities:		
Issuance of common stock for other current asset	\$750	\$—

Edgar Filing: GTX CORP - Form 10-Q

Issuance of common stock for conversion of debt	\$660,723	\$131,558
Issuance of debt for intangible assets	\$43,750	\$—
Issuance of common stock for accrued expenses - related parties	\$51,272	\$171,450
Issuance of common stock for prepaid advisory agreement	\$—	\$145,000
Issuance of stock payable for other current asset	\$—	\$36,000

See accompanying notes to consolidated financial statements.

GTX CORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

GTX Corp and 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 is a solution provider offering an enterprise GPS and cellular location platform that provides real-time tracking of the whereabouts of people, pets, vehicles and high valued assets through a miniaturized transceiver module, wireless connectivity gateway, middleware and viewing portal. Our core products and services are supported by an IP portfolio of patents, patents pending, registered trademarks, copyrights, URLs and a library of software source code. LOCiMOBILE, Inc., has been engaged in Smartphone application (App) development since 2008. With a suite of mobile applications that turn the iPhone, iPad, 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. LOCiMOBILE has launched numerous Apps across multi mobile device operating systems and continues to launch consumer and enterprise apps. 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.

Basis of Presentation

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 nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The accompanying unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial

statements for the year ended December 31, 2013, which are included in our Annual Report on Form 10-K.

The accompanying consolidated financial statements reflect the accounts of GTX Corp and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated.

Going Concern

The consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred net losses of \$1,605,702 and \$1,124,375 for the nine months ended September 30, 2014 and 2013, respectively, has incurred losses since inception resulting in an accumulated deficit of \$17,041,567 as of September 30, 2014, and has negative working capital of \$1,269,813 as of September 30, 2014. The Company anticipates further losses in the development of its business.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Use of 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.

Fair Value Estimates

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

Edgar Filing: GTX CORP - Form 10-Q

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset/liability's anticipated life.

Level 3—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

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

Derivative Instruments

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

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

Reclassifications

For comparability, certain prior period amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2014. These reclassifications have no impact on net loss.

Recently Issued Accounting Pronouncements

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

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

3. RELATED PARTY TRANSACTIONS

Edgar Filing: GTX CORP - Form 10-Q

In order to preserve cash for other working capital needs, various officers and members of management have agreed to accrue, and defer payment of, portions of their salaries since fiscal 2011. As of September 30, 2014 and December 31, 2013, the Company owed \$325,537 and \$306,250, respectively for such accrued wages.

4. DEBT

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

	September 30, 2014	December 31, 2013
Atlantic Note	\$200,000	\$112,500
Fund 4th Debenture dated July 28, 2014	75,000	—
BSM Note dated June 26, 2013	—	30,000
Total short-term convertible notes	275,000	142,500
Less: Debt discount	(66,061)	(51,703)
Short-term convertible notes, net of debt discount	208,939	90,797
Related party short-term borrowings	—	4,000
Short-term borrowings	\$208,939	\$94,797
Short-term derivative liabilities	\$183,186	\$70,535

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

On July 12, 2013, the Company entered into an Exclusive Manufacturing Agreement (the “Agreement”) with Atlantic Footcare, Inc., a Rhode Island corporation (“Atlantic”) whereby Atlantic would be the Company’s exclusive manufacturer of its new shoe insole to be used with the Company’s embedded GPS devices. In conjunction with the Agreement, on July 24, 2013, we also entered into a Security Purchase Agreement (the “SPA”) with Atlantic. Pursuant to the SPA, Atlantic committed to purchase (i) a convertible promissory note (the “Atlantic Note”) in the original principal amount of \$200,000, accruing 6% interest per annum, and matured on November 13, 2014, and (ii) 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 agreed to lend to the Company up to \$200,000, as follows:

- i. \$50,000 (comprised of \$25,000 in cash and \$25,000 in insole development and tooling costs associated with 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).

The \$200,000 loan has been fully funded. 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.

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

112359 Factor Fund

On July 28, 2014, we entered into a 4th convertible debenture with the Fund (defined in “*Long-term debt*” below) in the principal amount of \$75,000 (the “4th Debenture”). The 4th Debenture matures on January 30, 2015 and accrues interest on the unconverted outstanding principal balance hereof at a rate per annum of the lesser of the applicable Federal Rate or 6%. The outstanding amounts due under the 4th Debenture are convertible at the option of the Fund into shares of the Company’s common stock at 50% of the average of the five lowest closing market prices for the common stock for the 30 trading days preceding each conversion. As consideration for the 4th Debenture, we are required to have in reserve at all times, enough shares of our common stock to effect the issuance of all of the conversion shares due to the Fund upon conversion of outstanding amounts owed under the Debentures (defined in “*Long-term debt*” below), the 4th Debenture and any future convertible debentures held by the Fund. As of November 18, 2014, we had approximately 957,000,000 shares of our common stock reserved to fulfill this requirement.

BSM Lending, LLC Convertible Promissory Note

On June 26, 2013, the Company entered into a Convertible Promissory Note with BSM Lending, LLC (“BSM”), for the principal sum of \$30,000 plus interest of 15% per annum (the “BSM Note”). 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. On April 14, 2014, BSM Lending, LLC converted the BSM Note of \$30,000 plus accrued interest of \$3,514 into 1,463,493 shares of our common stock, resulting in a loss on extinguishment of debt in the amount of \$13,464.

Long-term debt

The following table summarizes the components of our long-term debt:

	September 30, 2014	December 31, 2013
Fund A & R 1st Debenture dated September 19, 2013	\$—	\$53,438
Fund 2nd Debenture dated September 19, 2013	200,000	200,000
Fund 3rd Debenture dated September 19, 2013	530,000	477,000
Total long-term convertible notes	730,000	730,438
Less: Debt discount	(420,705)	(492,766)
Total long-term convertible notes, net of debt discount	\$309,295	\$237,672
Long-term derivative liabilities	\$621,584	\$411,708

At September 30, 2014, our long-term debt matures as follows:

2014	\$-
2015	-
2016	106,000
2017	624,000
2018 and thereafter	-
Total	\$ 730,000

112359 Factor Fund

Effective September 19, 2013, the Company entered into a Securities Purchase Agreement with 112359 Factor Fund, LLC (the “Fund”) pursuant to which the Company issued and sold to the Fund (i) an amended and restated convertible debenture (the “A & R 1st Debenture”) in the principal amount of \$123,394, (ii) a secured convertible debenture in the principal amount of \$200,000 (the “2nd Debenture”), and (iii) a secured convertible debenture payable in eight (8) tranches totaling an aggregate principal balance of \$901,000 (the “3rd Debenture” and together with the A & R 1st Debenture and 2nd Debenture, the “Debentures”).

The A & R 1st Debenture accrued interest at the lesser of the applicable Federal Rate or 6% per annum and was convertible 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. During the nine months ended September 30, 2014, the Fund converted the remaining principal amount owed under the A & R 1st Debenture of \$53,438 into 5,625,075 shares of our common stock, resulting in a loss on extinguishment of debt of \$11,813. In accordance with the terms of the A & R 1st Debenture, all accrued interest owed was forgiven as the debt was converted in full prior to its maturity date.

The 2nd 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. The 2nd 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 6%. Following the Payment Compliance Date, as defined below, at the option of the Fund, the outstanding principal amount due under the 2nd 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 (1st) anniversary of the Payment Compliance Date. The “Payment Compliance Date” shall mean the later to occur of (a) the date on which the Fund has paid the Company the full \$425,000 purchase price of the 3rd Debenture, or (b) the date on which all amounts due to the Fund, except for amounts due under the 2nd Debenture, have been fully paid. If the 2nd Debenture is repaid and/or converted in full prior to its maturity date, all accrued interest will be forgiven.

The face amount of the 3rd Debenture is \$901,000. The Fund has agreed to purchase the 3rd Debenture in eight (8) installments (each such installment that is paid is referred to as a “Tranche”). The 3rd Debenture matures on the third (3rd) anniversary date of each Tranche payment. The payment 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
Total Principal		\$425,000	\$901,000	

11

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 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 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. If the 3rd Debenture is repaid and/or converted in full prior to its maturity date, all accrued interest will be forgiven. During the nine months ended September 30, 2014, the Fund converted \$371,000 owed under the 3rd Debenture into 22,830,293 shares of our common stock resulting in a loss on extinguishment of debt of \$177,494. As of September 30, 2014, the Fund had made all of the eight Tranche payments required under the 3rd Debenture.

The Debentures are secured by a blanket lien on substantially all of the Company's assets pursuant to the terms of a security agreement (the "Security Agreement") executed by the Company and its subsidiaries in favor of the Fund. If an event of default occurs and continues for more than 30 days following written notice of default from the Fund, under the Security Agreement, the fund may, in addition to any other remedies available to it, foreclose upon the assets securing such Debentures.

In addition, to further secure the Company's obligations under the Debentures, the Company's Chief Executive Officer, Mr. Patrick Bertagna, has pledged 13,180,378 shares of his common stock of the Company (the "Pledged Securities") pursuant to a stock pledge agreement (the "Pledge Agreement") executed by Mr. Bertagna in favor of the Fund. Upon the breach of any provision in the Pledge Agreement or upon the occurrence of any default event under the Debentures, the Fund may exercise any rights and remedies available, including, but not limited to, sale, assignment or other disposal of any or all of the Pledged Securities in exchange for cash or credit. The Fund's rights under the Pledge Agreement are limited to the extent that the Fund has agreed not to own more than 4.99% of the Company's outstanding shares of common stock at any time, which limitation the Fund can, however, waive upon 65 days' notice.

Derivative liabilities

The conversion features embedded in the convertible notes were evaluated to determine if such conversion feature should be bifurcated from its host instrument and accounted for as a freestanding derivative. Excluding the 2nd Debenture, in all of the long-term and short-term convertible notes outstanding at September 30, 2014 and December 31, 2013, the conversion feature was accounted for as a derivative liability. The derivatives associated with the long-term and short-term convertible notes were recognized as a discount to the debt instrument and the discount is amortized over the expected life of the notes with any excess of the derivative value over the note payable value recognized as additional interest expense at the issuance date. Included in Derivative Expense, net in the accompanying consolidated statements of operations is expense related to the recording and amortization of the debt discount totaling \$164,886 and \$1,065,268 during the three and nine months ended September 30, 2014, respectively.

The derivative liability was calculated using the Black Scholes method over the expected terms of the convertible debentures, with a risk free rate of 0.63% and volatility of 211% as of September 30, 2014 and a risk free rate of 1% and volatility of 301% as of December 31, 2013. Included in Derivative Income (Expense), net in the accompanying consolidated statements of operations is income arising from the change in fair value of the derivatives of \$9,689 and \$461,038 for the three and nine months ended September 30, 2014, respectively

5. EQUITY**Common Stock**

The Company issued the following shares of common stock during the nine months ended September 30, 2014:

	Value of Shares	Number of Shares
Shares issued for services rendered	\$ 109,125	6,566,176
Shares issued for accrued expenses	51,272	1,508,000
Shares issued with repurchase rights	9,543	750,000
Shares issued for conversion of debt	660,722	29,918,861
 Total shares issued	 \$ 830,662	 38,743,037

Shares issued for services rendered were to various members of management, the Board of Directors, employees and consultants and are expensed as Stock-Based Compensation in the accompanying consolidated statement of operations. Shares issued for accrued expenses were granted to a Board Member, a consultant and an employee as payment for portions of amounts owed to them for services rendered in previous periods. Shares issued with repurchase rights relate to shares granted to members of management and the Board of Directors whereby the Company retained the rights to acquire the shares from the stock recipients and such repurchase rights lapsed rateably over twelve months at a rate of 1/12th per month beginning on January 1, 2013. Upon vesting, the shares are revalued based on the average stock price during the respective month and the related stock based compensation expense is recognized. Shares issued for conversion of debt relate to conversions of the BSM Note and Fund Debentures discussed in Note 4.

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.

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

	Exercise Price \$	Number of Warrants
Outstanding and exercisable at December 31, 2013	0.02 - 0.08	7,720,000
Warrants exercised	—	—
Warrants granted	—	—
Warrants expired	0.08	(5,720,000)

Outstanding and exercisable at September 30, 2014 0.02 2,000,000

Stock Warrants as of September 30, 2014

Price	Outstanding Warrants	Life (Years)	Remaining Warrants Exercisable
\$0.02	2,000,000	0.94	2,000,000

In connection with the SPA entered into with Atlantic on July 12, 2013 (See Note 4), 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. As of the September 30, 2014, Atlantic has not converted any portion of the Atlantic Note.

Common Stock Options

Under the Company's 2008 Equity Compensation Plan (the "2008 Plan"), we are authorized to grant stock options intended to qualify as Incentive Stock Options, "ISO", under Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified options, restricted and unrestricted stock awards and stock appreciation rights to purchase up to 7,000,000 shares of common stock to our employees, officers, directors and consultants, with the exception that ISOs may only be granted to employees of the Company and its subsidiaries, as defined in the 2008 Plan. After adjusting for expired and estimated pre-vesting forfeitures, options for approximately 2,216,000 shares were still available for grant under the 2008 Plan as of September 30, 2014.

Stock option activity under the 2008 Plan for the nine months ended September 30, 2014 is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Grant Date Fair Value
Outstanding at December 31, 2013	775,133	\$ 0.14	1.09	\$46,901
Options granted	—	—	—	—
Options exercised	—	—	—	—
Options cancelled/ forfeited/ expired	(322,139)	\$ 0.22	—	(31,924)
Outstanding at September 30, 2014	452,994	\$ 0.081	1.00	\$ 14,977
Exercisable at September 30, 2014	452,994	\$ 0.081	1.00	\$ 14,977

The Company recognizes option expense ratably over the vesting periods. As all outstanding options had vested as of December 31, 2012, we have recognized no compensation expense related to options granted under the 2008 Plan during the three and nine months ended September 30, 2014 and 2013. The Company intends to issue new shares to satisfy share option exercises.

6. SUBSEQUENT EVENTS

Subsequent to September 30, 2014, we entered into six separate note and share purchase agreements with six independent accredited investors. As a result, we have issued six convertible notes with a total principal balance of \$141,000 (the "Subsequent Convertible Notes") and issued 1,175,000 shares of common stock ("the "Subsequent Common Stock") in exchange for proceeds of \$117,500. The Subsequent Convertible Notes carry an original issue discount of 17%, mature on December 31, 2015 and are convertible into common stock of the Company at \$0.015 per share (the "Conversion Price"), subject to adjustment and mandatory conversion, as more fully described in the Subsequent Convertible Note agreements. The Subsequent Common Stock was valued at the fair market value of \$11,750 and is recorded as finance costs. Should the Subsequent Convertible Notes not be repaid or converted prior to June 30, 2015, the investors will receive an additional 1,175,000 shares of the Company's common stock.

On October 1, 2014, the Fund converted \$70,000 owed under the 3rd Debenture into 7,000,000 shares of our common stock. On October 24, 2014, the Fund converted \$85,000 owed under the 3rd Debenture into 8,500,000 shares of our common stock. The conversion price represented the fair market value of our common stock at the time of conversion. Accordingly, there was no gain or loss on conversion. As a result, the remaining outstanding principal balance of the 3rd Debenture as of November 19, 2014 was \$375,000.

On October 7, 2014 we issued a total of 1,850,000 shares of common stock (valued at \$18,500) to various consultants for services rendered in conjunction with business development and marketing.

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", "GTX", "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 wearable technology marketplace. Our subsidiaries are summarized as follows:

Global Trek Xploration (“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).

During 2013, we 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.

The Company is currently engaged in over two dozen SmartSole pilot programs in the US, Canada, New Zealand, Norway, Italy, Columbia, Singapore, U.K., and Switzerland, with several other countries in the pipeline. These pilot programs are being conducted by assisted living facilities, Government and Municipal agencies, health organizations, retailers, distributors and independent sales representatives. Several of these pilot programs have been completed or will be concluded during the fourth quarter of 2014 and are expected to transition into commercial roll outs. The pilot programs generally last 2 to 4 months.

Although still in the test phase, we have now entered the volume production cycle for the SmartSoles and expect to receive our first delivery of 500 SmartSoles from Atlantic in December 2014. This first set of 500 SmartSoles is substantially sold out. We are forecasting a four month roll out of these SmartSoles through the first quarter of 2015.

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 low energy bluetooth chip that reports when the user crosses a virtual perimeter. The BLE SmartSole has a battery life of over one year, alleviating the caregiver from the worry of recharging or replacing batteries. The technology is customizable for personal home use or commercial assisted living facilities and the caregiver is alerted via email or text when the wearer leaves the area. The research and development on the BLE SmartSoles has been concluded and they are now ready for commercialization.

The Company's "Stand Alone" direct-to-consumer GPS device is now offered for sale through the GTX website and on Amazon.com at prices ranging from \$119 to \$179 each, with several monthly subscription plans ranging from \$17 to \$30 per month. We are also introducing voice capabilities and starting to resell data and voice service plans.

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 NavistarTM GPS Shoes did not meet our expectations or the expectations of Aetrex and, accordingly, effective March 18, 2014, we did not renew our license agreement with Aetrex.

· 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* (“TMWF”), which allows employers to easily track and monitor employees, drivers, sales reps, and more using their Smartphone, tablet or any web enabled devices. Due to the anticipated increase in new users the backend portal has been completely upgraded in order to handle new customer sign up and billing. The new site is in beta test now and expected to be released before the end of the year.

· Code Amber News Service, Inc. (“CANS”) is our wholly-owned subsidiary in the U.S. and Canada 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 complements the overall GTX business model of providing location based e-health technologies and services.

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, 2014 (“Q3 2014”) Compared to the Three Months Ended September 30, 2013 (“Q3 2013”)

	Three Months Ended September 30,		2013	
	2014	% of Revenues	\$	% of Revenues
	\$		\$	
Revenues	\$ 42,030	100%	\$ 26,198	100%
Cost of goods sold	19,179	46%	22,751	87%
Net profit	22,851	54%	3,447	13%
Operating expenses:				
Wages and professional fees	198,626	473%	198,241	757%
General and administrative	64,468	153%	33,132	126%
Total operating expenses	263,094	626%	231,373	883%
Loss from operations	(240,243)	-572%	(227,926)	-870%
Other income (expense), net	(138,159)	-329%	(368,524)	-1407%
Net loss	\$ (378,402)	-900%	\$ (596,450)	-2277%

Revenues

Revenues during Q3 2014 increased by 60% or \$15,832 in comparison to Q3 2013 primarily due to increases in GPS devices sales and the related monthly subscription portal fees, increased Track My Work Force App revenues and the sale of the GPS SmartSole. Through September 30, 2014, the GPS SmartSole has been in the test phase. We are commencing our commercial production during the fourth quarter of 2014 and will be receiving 500 of our first 1,500 unit production order of the GPS SmartSoles in December 2014 of which the majority have already been pre-sold. We expect to begin shipping to channel partners and consumers throughout the first quarter of 2015. These increases were offset by decreases in App revenue (excluding TMWF) and monthly subscription fees no longer generated from the Navistar GPS Shoes.

Cost of goods sold

Cost of goods sold decreased 16% or \$3,572 during Q3 2014 in comparison to Q3 2013 primarily due to the write-down of certain capitalized direct labor costs and shoe molds during the period ended September 30, 2013. The depreciation related to these assets had been recorded through cost of goods sold and their write off accounts for an overall decrease in cost of goods sold of \$9,700 when comparing Q3 2014 to Q3 2013. Additionally, software development costs related to our LOCiMOBILE® Apps are nearly fully depreciated resulting in a decrease in software development depreciation of \$6,100. The overall decrease was offset by an increase in the sale of GPS

devices and SmartSoles during Q3 2014.

18

Wages and professional fees

Wages and professional fees during Q3 2014 remained consistent with Q3 2013.

General and administrative

General and administrative expenses during Q3 2014 increased 95% or \$31,336 in comparison to Q3 2013 primarily due to product development costs on our GPS and BLE SmartSoles, increases in website development costs and travel expenses. During 2014 we began making improvements to our website to facilitate the upcoming release of the SmartSoles and TMWF App to the public. Additionally, travel and related marketing expenses were incurred to promote the SmartSole to potential distributors, channel partners and assisted living care facilities.

Other income (expense), net

Other income (expense), net for Q3 2014 consists primarily of costs associated with our debt financings. During Q3 2014, \$212,000 of debt was converted into 10,846,000 shares of our common stock valued at \$176,444 resulting in a non-cash gain on extinguishment of debt of \$35,556. Additionally, the accounting treatment for the bifurcation of the derivative liabilities embedded in our long-term and short-term convertible notes results in net derivative, non-cash loss of \$155,197. 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.

Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

	Nine Months Ended September 30, 2014		2013	
	\$	% of Revenues	\$	% of Revenues
Revenues	\$96,935	100%	\$121,610	100%
Cost of goods sold	45,066	46%	69,283	57%
Net profit	51,869	54%	52,327	43%
Operating expenses:				
Wages and professional fees	613,822	633%	603,831	497%
General and administrative	202,852	209%	126,513	104%
Total operating expenses	816,674	842%	730,344	601%
Loss from operations	(764,805)	-789%	(678,017)	-558%
Other income (expense), net	(840,897)	-867%	(446,358)	-367%
Net loss	\$ (1,605,702)	-1656%	\$ (1,124,375)	-925%

Revenues

Revenues during the nine months ended September 30, 2014 decreased by 20% or \$24,675 in comparison to the same period in 2013 due to decreases in Navistar GPS Shoe subscriptions, Alertag sales, consumer App sales and platform test agreements. During 2013 we sold 1,000 Alertags resulting in the recognition of approximately \$13,000 of revenues. No such sale occurred during 2014. Revenues generated by our Apps sold on iTunes decreased \$13,000 in comparison to 2013 due to a decrease in the purchase of consumer Apps, and a large increase in downloads for upgrades by current subscribers, which upgrades are provided free of charge. These decreases were offset by GPS devices sales and the related monthly portal fees, increased Track My Work Force App revenues and the sale of the GPS SmartSole as discussed above.

Cost of goods sold

Cost of goods sold decreased 35% or \$24,217 during the nine months ended September 30, 2014 in comparison to the same period in 2013 primarily due to the write-down of certain capitalized direct labor costs and shoe molds during the period ended September 30, 2013. The depreciation related to these assets had been recorded through cost of goods sold and their write off accounts for \$24,300 of the decrease in depreciation expense when comparing 2014 to 2013. Additionally, software development costs related to our LOCiMOBILE® Apps are nearly fully depreciated resulting in a decrease in software development depreciation of \$13,100. These decreases are offset by the increased costs of GPS devices and GPS SmartSoles sold during 2014.

Wages and professional fees

Wages and professional fees during the nine months ended September 30, 2014 increased 2% or \$9,991 in comparison to the same period in 2013 despite a reduction in consultants and marketing expenses since September 30, 2013. This

is primarily due to the hiring of a consulting firm for business development, corporate and financing services.

General and administrative

General and administrative expenses during the nine months ended September 30, 2014 increased 60% or \$76,339 in comparison to the same period in 2013 primarily due to product development costs associated with our GPS and BLE SmartSoles, increases in website development costs and travel expenses. During 2014 we began making improvements to our website to facilitate the upcoming release of the SmartSole to the public. Additionally, several trips throughout the U.S. and Europe were made to plan the development and promote the SmartSole to potential distributors and channel partners.

Other income (expense), net

Other income (expense), net for 2014 consists primarily of costs associated with our debt financings. During the nine months ended September 30, 2014, \$457,951 of debt was converted into 29,918,861 shares of our common stock valued at \$660,723 resulting in a non-cash loss on extinguishment of debt of \$202,771. Additionally, the accounting treatment for the bifurcation of the derivative liabilities embedded in our long-term and short-term convertible notes results in net derivative, non-cash expense of \$604,230. 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.

Liquidity and Capital Resources

As of September 30, 2014, we had approximately \$15,000 of cash and cash equivalents, and a working capital deficit of \$1,270,000, compared to \$65,000 of cash and cash equivalents and a working capital deficit of \$736,000 as of December 31, 2013. A portion of our negative working capital position at September 30, 2014 consisted of \$325,000 of amounts due to officers and management of the Company for accrued wages and \$183,000 related to derivative liabilities on our short-term convertible promissory notes. As more fully described below, we issued additional convertible notes in October 2014 to fund our working capital needs.

During the nine months ended September 30, 2014 and 2013, we reported a net loss of \$1,605,702 and \$1,124,375, respectively. However, net cash used in operating activities for the nine months ended September 30, 2014 and 2013 was only \$363,000 and \$209,000, respectively. Net cash used in operations was less than the net loss for the nine months ended September 30, 2014 primarily due to non-cash expenses relating to the net change in fair value of our derivative liabilities and the amortization of the debt discount on our convertible debt (\$604,230), as well as, the non-cash loss on the extinguishment of debt (\$202,771). These non-cash expenses during the nine months ended September 30, 2013 collectively were \$229,246.

Net cash used in investing activities for the nine months ended September 30, 2014 was \$1,445 and resulted from the purchase of office equipment. There was no cash used in investing activities for the nine months ended September 30, 2013.

Net cash provided by financing activities during nine months ended September 30, 2014 was \$314,750 and consisted primarily of proceeds totaling \$318,750 received from advances under various convertible note payable agreements. Net cash provided by financing activities during the nine months ended September 30, 2013 was \$235,500 and consisted of proceeds totaling \$230,000 received from advances under a convertible note payable agreement, as well as short-term loans totaling \$30,000 and \$10,000 each from our Chief Executive Officer and a Board Member, respectively. As of September 30, 2013, the Company had paid \$25,000 towards the related party loans, as well as, \$9,500 towards a short-term loan owed to a vendor.

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. However, during July 2013, we entered into an exclusive three-year contract with Atlantic Footcare, Inc. (“Atlantic”), to develop and launch the GPS SmartSole™ (the “SmartSole”). Atlantic is the Company’s exclusive manufacturer of the new shoe insole to be used with our embedded GPS devices. Although primarily still in the evaluation phase, we have recently entered the volume production cycle for the SmartSoles and expect to receive our first delivery of 500 SmartSoles from Atlantic in December 2014. We are forecasting a four month roll out of these SmartSoles through the first quarter of 2015. Because the SmartSole has not yet been commercially introduced, we are not able to forecast the amount of revenues this product will generate or if/when revenues generated from the SmartSoles will be able to begin supporting our working capital needs.

Until such time as the SmartSoles can support our working capital requirement, we expect to continue to generate revenues from the sale of stand-alone GPS devices, licensing revenues, 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 throughout 2014 and 2015.

In order to fund our working capital needs and our product development costs, subsequent to September 2014, we entered into six separate note and share purchase agreements with six independent accredited investors. As a result, we have issued six convertible notes with a total principal balance of \$141,000 (the “Subsequent Convertible Notes”) and issued 1,175,000 shares of common stock (“the “Subsequent Common Stock”) in exchange for proceeds of \$117,500. The Subsequent Convertible Notes carry an original issue discount of 17%, mature on December 31, 2015 and are convertible into common stock of the Company at \$0.015 per share (the “Conversion Price”), subject to adjustment and mandatory conversion. The Subsequent Common Stock was valued at the fair market value of \$11,750 and is recorded as finance costs. In addition to the Subsequent Convertible Notes and the Subsequent Common Stock, a total of 1,175,000 additional shares of the Company’s common stock will be issued to the investors if the Subsequent Convertible Notes are not repaid or converted prior to June 30, 2015.

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 1st Debenture”) in the principal amount of \$123,394, (ii) a secured convertible debenture in the principal amount of \$200,000 (the “2nd Debenture”), and (iii) a secured convertible debenture payable in eight (8) tranches totaling an aggregate principal balance of \$901,000 (the “3rd Debenture” and together with the A & R 1st Debenture and 2nd Debenture, the “Debentures”). The following is a summary of the terms of the Debentures:

The \$123,394 A & R 1st Debenture accrued interest at the lesser of the applicable Federal Rate or 6% per annum and was convertible into shares of common stock of the Company at a price equal to 100% of the average of the five lowest closing market prices for the Company’s common stock for the 30 trading days preceding conversion. As of September 30, 2014, the A & R 1st Debenture has been converted in full into 12,300,099 shares of common stock resulting in a total loss on extinguishment of \$25,910.

The 2nd 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 2nd 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 3rd Debenture, or (b) the date on which all amounts due to the Fund, except for amounts due under the 2nd Debenture, have been fully paid, at the option of the Fund, the outstanding principal amount due under the 2nd 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 (1st) anniversary of the Payment Compliance Date.

The face amount of the 3rd Debenture is \$901,000 and consists of \$425,000 of cash proceeds to the Company with the remaining \$476,000 being additional debenture to the Company. The Fund funded the 3rd Debenture in eight monthly installments during the period from September 18, 2013 through April 21, 2014. The 3rd Debenture matures on the third anniversary date of each monthly installment. 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 lowest closing market prices for the common stock for the 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 Quarterly Report, the 3rd Debenture has provided us with the \$425,000 of funding. Additionally, the Fund has converted \$526,000 of the \$901,000 principal balance into 38,330,293 shares of our common stock resulting in a loss on extinguishment of debt totalling \$177,494.

On July 28, 2014, we entered into a 4th convertible debenture with the Fund in the principal amount of \$75,000 (the “4th Debenture”). The 4th Debenture was funded in Tranches on or about August 28, 2014, August 30, 2014 and September 30, 2014 in the amounts of \$35,000, \$20,000, and \$20,000, respectively and matures on January 30, 2015. Interest on the 4th 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 4th Debenture are convertible at the option of the Fund into shares of the Company’s common stock at 50% of the average of the five lowest closing market prices for the common stock for the 30 trading days preceding each conversion. As consideration for the 4th Debenture, we are required to have in reserve at all times, enough shares of our common stock to effect the issuance of all of the conversion shares due to the Fund upon conversion of outstanding amounts owed under the Debentures, the 4th Debenture and any future convertible debentures held by the Fund. As of November 18, 2014, we had approximately 957,000,000 shares of our common stock reserved to fulfill this requirement.

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 (i) 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 (ii) a warrant to purchase shares of the Company’s common stock at the par value of the shares (i.e. at a price of \$0.001 per share). As of June 20, 2014, Atlantic has provided the Company with the full amount of \$200,000 under the Atlantic Note.

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.

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”). The BSM Note is convertible into shares of common stock of the Company at a price equal to 65% of the five day average closing price per share of the Company’s common stock. On April 14, 2014, BSM Lending, LLC converted the BSM Note of \$30,000 plus accrued interest of \$3,514 into 1,463,493 shares of our common stock, resulting in a loss on extinguishment of debt in the amount of \$13,464.

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 SmartSoles, device sales, subscriptions, Alertags, software licensing, or our smart phone or tablet Apps will generate significant revenues during the balance of 2014 or in 2015.

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 throughout 2014 and into 2015. 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.

Since inception in 2002, we have generated significant losses (as of September 30, 2014, we had an accumulated deficit of \$17,041,567), and we currently expect to incur continued losses until our revenue initiatives collectively generate substantial revenues. Please see the section entitled “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2013 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, 2013.

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.

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 NavistarTM GPS Shoes would provide a substantial amount of our working capital, which revenues would be supplemented by revenues from our other products. Sales of the GPS Shoes have significantly underperformed our expectations, and revenues from our other products have also been less than we projected. As a result of the lack of sales revenues, we currently have a large working capital deficit, and our revenues from our current operations are not sufficient to fund our current operating needs. Accordingly, we will have to find alternative sources of funding in the near future. If we are not able to obtain additional funding in the near future, we

may have to further reduce our operations, take other action to protect our properties and business, or cease operations altogether. Any such actions may have a negative effect on the viability of our company and on the trading price of our shares.

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

On July 24, 2014, the Fund converted \$77,080 of the 3rd Debenture into 4,100,000 shares of common stock with a fair market value of \$82,000.

On August 15, 2014, the Fund converted \$134,920 of the 3rd Debenture into 6,746,000 shares of common stock with a fair market value of \$94,444.

On October 1, 2014, the Fund converted \$70,000 of the 3rd Debenture into 7,000,000 shares of common stock with a fair market value of \$70,000.

On October 24, 2014, the Fund converted \$88,000 of the 3rd Debenture into 8,500,000 shares of common stock with a fair market value of \$88,000.

The above shares were issued as part of the Securities Purchase Agreement entered into with the Fund in September 2013.

On August 28, 2014, we issued 250,000 shares of common stock (valued at \$2,500) to each of our five board members as compensation for attending a board meeting. Additionally, a total of 1,000,000 shares of common stock (valued at \$10,000) were issued to seven consultants for corporate advisory and business development services and 100,000 shares of common stock (valued at \$1,000) were issued to two separate employees as compensation for additional services rendered.

On October 7, 2014, we issued a total of 1,850,000 shares of common stock (valued at \$18,500) to six consultants for business development services.

The issuance of the above shares was exempt from registration 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.

ITEM 6. EXHIBITS.

(a) Exhibits

10.1	Form of Note and Share Purchase Agreement (October 2014)
10.2	Form of Convertible Promissory Note (October 2014)
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 19, 2014 By: Alex McKean,

Interim Chief Financial Officer (Principal Financial Officer)

/s/ PATRICK BERTAGNA

Date: November 19, 2014 By: Patrick Bertagna,

Chief Executive Officer

