GTX CORP
Form 10-Q
November 15, 2010

FORM 10-Q

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

(Mark one)

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

For the quarterly period ended September 30, 2010

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, # 1214, Los Angeles, CA, 90015
(Address of principal executive offices) (Zip Code)

(213) 489-3019

(Registrant's telephone number, including area code)

(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 x 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 x

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 46,764,894 common shares issued and outstanding as of November 15, 2010

GTX CORP
For the quarter ended September 30, 2010
FORM 10-Q

PART I

ITEM 1. FINANCIAL STATEMENTS

GTX CORP

CONSOLIDATED BALANCE SHEETS

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,193	$ 454,667
Accounts receivable, net	34,250	5,206
Inventory, net	54,561	1,482
Other current assets	42,413	34,049
Total current assets	150,417	495,404
Property and equipment, net	323,488	253,100
Other assets	10,972	10,459
Total assets	$ 484,877	$ 758,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 410,605	$ 279,152
Convertible promissory note payable (face value $45,000)	9,747	-
Derivative liability	35,253	-
Total current liabilities	455,605	279,152
Total liabilities	455,605	279,152
Commitments and contingencies		
Stockholders' equity:		
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; 45,655,770 and 39,466,540 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	45,656	39,466
Additional paid-in capital	10,994,975	10,007,669
Accumulated deficit	(11,011,359)	(9,567,324)
Total stockholders' equity	29,272	479,811
Total liabilities and stockholders' equity	$ 484,877	$ 758,963

See accompanying notes to consolidated financial statements

GTX CORP
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	$ 105,123	$ 126,704	$ 322,837	$ 185,227
Cost of goods sold	55,058	60,448	156,170	88,321
Gross Margin	50,065	66,256	166,667	96,906
Operating expenses				
Salaries and professional fees	419,619	388,836	1,297,662	1,293,351
Research and development	27,162	5,782	58,400	91,109
General and administrative	66,112	115,715	255,276	306,621
Total operating expenses	512,893	510,333	1,611,338	1,691,081
Loss from operations	(462,828)	(444,077)	(1,444,671)	(1,594,175)
Other income				
Interest income	-	6,837	636	34,172
Net loss	$ (462,828)	$ (437,240)	$ (1,444,035)	$ (1,560,003)
Weighted average number of common shares outstanding - basic and diluted	44,683,644	39,365,638	42,141,350	39,185,848
Net loss per share - basic and diluted	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.04)

See accompanying notes to consolidated financial statements

4

GTX CORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2010	2009
Cash flows from operating activities		
Net loss	$ (1,444,035)	$ (1,560,003)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	134,151	63,419
Bad debt expense	-	40,284
Stock based compensation	504,785	359,108
Changes in operating assets and liabilities		
Accounts receivable	(29,044)	(56,579)
Inventory	(53,079)	22,203
Other current assets	12,390	-
Other assets	(513)	(6,212)
Accounts payable and accrued expenses	131,453	(42,252)
Net cash used in operating activities	(743,892)	(1,180,032)
Cash flows from investing activities		
Proceeds from certificates of deposit	-	1,000,000
Proceeds from disposal of property and equipment	-	2,612
Purchase of property and equipment	(119,240)	(174,712)
Net cash provided by (used in) investing activities	(119,240)	827,900
Cash flows from financing activities		
Proceeds from issuance of loan payable	45,000	-
Proceeds from issuance of common stock	382,658	-
Net cash provided by financing activities	427,658	-
Net decrease in cash and cash equivalents	(435,474)	(352,132)
Cash and cash equivalents, beginning of period	454,667	706,873
Cash and cash equivalents, end of period	$ 19,193	$ 354,741
Supplemental disclosure of cash flow information:		
Income taxes paid	$ -	$ -
Interest paid	$ -	$ -
Supplementary disclosure of noncash financing activities:		
Issuance of common stock for development of Apps (Property & equipment)	$ 85,300	$ -
Issuance of common stock for other current assets	$ 38,249	$ -

See accompanying notes to consolidated financial statements

GTX CORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010
(Unaudited)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GTX Corp and subsidiaries (the "Company" or "GTX") develops and integrates miniaturized Global Positioning System (GPS) tracking and cellular location technology for consumer products and service applications. GTX Corp owns 100% of the issued and outstanding capital stock of Global Trek Xploration, LOCiMOBILE, Inc, and Code Amber News Service, Inc. ("CANS"). 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 viewed 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.

The accompanying unaudited consolidated financial statements of GTX Corp 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, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. The accompanying unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2009, which are included in our Annual Report on Form 10-K, and the risk factors contained therein.

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.

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.

Reclassifications
For comparability, certain prior period amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2010.

Fair Value Measurements and Financial Instruments
Effective January 1, 2008, the Company adopted FASB ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value

measurements establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company’s financial position or operating results, but did expand certain disclosures.

ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company's balance sheets include the following financial instruments: cash, accounts receivable, inventory, other assets, accounts payable, convertible promissory note payable and derivative liabilities. The carrying amounts of current assets and current liabilities approximate their fair value because of the relatively short period of time between the origination of these instruments and their expected realization.

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.

The identification of, and accounting for, derivative instruments is complex. 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. That 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.

New Accounting Standards
In September 2009, the Financial Accounting Standards Board ("FASB") issued Accounting standards Update No. 2009-13, "Multiple Deliverable Revenue Arrangements – A consensus of the FASB Emerging Issues Task Force" ("ASU 2009-13"). The guidance provides principles and application guidance on whether multiple deliverables exist, determining the unit of accounting for each deliverable, and the consideration allocated to the separate units of accounting. Additionally, this guidance requires an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price ("TPE"), eliminates the use of the residual method, and requires an entity to allocate revenue using the relative selling price method. However, guidance on determining when the criteria for revenue recognition are met and how an entity should recognize revenue for a given unit of accounting are contained in other accounting literature and are not changed by ASU 2009-13. The guidance in ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We have evaluated the potential impact of this standard and expect it will have no significant impact on our financial position or results of operations.

In September 2009, the FASB issued ASU No. 2009-14, "Certain Revenue Arrangements That Include Software Elements – A consensus of the FASB Emerging Issues Task Force" ("ASU 2009-14") which amends ASC 985-605, "Software: Revenue Recognition" to exclude from its scope certain tangible products containing both software and non-software components that function together to deliver the product's essential functionality. This guidance focuses on determining which arrangements are within the scope of the software revenue guidance in Topic 985 (previously included in AICPA Statement of Position 97-2, Software Revenue Recognition ("SOP 97-2")) and which are not. This guidance also removes tangible products from the scope of the software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that include a tangible product are within the scope of the software revenue guidance. This guidance is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. We have evaluated the potential impact of this standard and expect it will have no significant impact on our financial position or results of operations.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). ASU 2010-06 requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. ASU 2010-06 amends Codification Subtopic 820-10 to now require (1) a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; (2) in the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements, and (3) a reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We have evaluated the potential impact of this standard and expect it will have no significant impact on our financial position or results of operations.

In April 2010, the FASB issued ASU No. 2010 – 17, "Revenue Recognition – Milestone Method (Topic 605): Milestone Method of Revenue Recognition." ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone of revenue recognition for certain research and development transactions. Under this new standard, a company can recognize as revenue consideration that is contingent upon achievement of a milestone in the period in which it is achieved, only if the milestone meets all criteria to be considered substantive. This standard will be effective for us on a prospective basis for periods beginning after January 1, 2011. We have evaluated the potential impact of this standard and expect it will have no significant impact on our financial position or results of operations.

2. CONVERTIBLE PROMISSORY NOTE PAYABLE

On September 14, 2010 the Company entered into a Convertible Promissory Note in the principal amount of $45,000 (the "Note"). The Note bears interest at 8% per annum and matures on June 15, 2011. Under the Convertible Promissory Note Agreement, beginning 180 days following the date of the Note, the lender has the right to convert all or any part of the outstanding and unpaid principal of the Note into shares of the Company's common stock; provided however, that in no event shall the lender be entitled to convert any portion of the Note that would result in the beneficial ownership by it and its affiliates of more than 4.99% of the outstanding shares of the Company's common stock. The Note is convertible at a variable conversion price which is calculated based on 60% of the average of the five closing prices of the Company's common stock during the five trading day period ending one trading day prior to the date the conversion notice is sent by the lender.

In connection with the issuance of the Note, the Company has applied the guidance of FASB ASC Topic No. 815-40. Accordingly, the conversion feature is accounted for as a derivative liability at the date of issuance and adjusted to fair value through earnings at each reporting date. The fair value was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions: expected dividend yield of 0%; expected volatility of 80%; risk-free interest rate of .2% and an expected holding period of 9 months. The resulting value, at the date of issuance, was allocated to the proceeds received and applied as a discount to the face value of the Convertible Promissory Note; The Company has recognized a derivative liability of $35,253 at the date of issuance, which also approximates the fair value of the derivative at September 30, 2010.

3. EQUITY

Common Stock

During the three and nine months ended September 30, 2010 the Company issued 511,667 and 1,118,053 shares of common stock, respectively, under the Company's 2008 Equity Compensation Plan to various members of management, employees and consultants as compensation for services rendered. Included in these issuances were grants of 476,667 and 566,053 shares during the three and nine months ended September 30, 2010, valued at $69,300 and $85,300, respectively, to a consultant for services related to the development of our mobile phone applications and accordingly, the value is capitalized as Property and Equipment in the accompanying consolidated balance sheet and will be depreciated through cost of goods sold. The remaining shares issued, 35,000 (valued at $4,060) and 552,000 (value at $91,280) during the three and nine months ended September 30, 2010, respectively, were expensed as stock based compensation in the accompanying consolidated statement of operations. During the three and nine months ended September 30, 2009 the Company issued 44,116 and 524,116 shares of such common stock, respectively, valued at $60,000 and $420,000, respectively.

In addition to the shares issued under the 2008 Equity Compensation Plan, the Company issued 2,116,666 and 2,459,195 shares of common stock during the three and nine months ended September 30, 2010, respectively, subject to restrictions upon transfer pursuant to Rule 144, as promulgated under the Securities Act of 1933, as amended, to various members of management, employees and consultants as compensation for services. Included in these issuances were shares issued to consultants for services which had not yet been fully rendered. During September 2010, a three month consulting agreement for public relations services was entered into for which 250,000 shares of common stock, valued at $29,000, were issued. As of September 30, 2010, $9,333 had been expensed as stock based compensation expense and $19,667 remained as a prepaid asset and will be amortized to stock based compensation expense over the life of the contract. In July 2010, 1,050,000 shares of common stock were issued to members of management and board members. The shares contain repurchase rights whereby the Company retains the rights to acquire the shares from the stock recipients and such repurchase rights lapse ratably over twelve months at a rate of 1/12th per month beginning on July 31, 2010. At the date of issuance, the shares were valued at par ($.001 per share) and recorded as an Other Current Asset in the accompanying consolidated financial statements. The related stock based compensation expense is recorded in conjunction with the monthly vesting based on the average stock priced during the respective month. Accordingly, as of September 30, 2010, $19,793 was expensed as stock based compensation expense. Additionally, in May 2010 consulting agreements with two separate contractors were entered into to provide public relations and marketing services to the Company for three to six month terms for which a total of 48,529 shares of common stock were issued. The shares were valued at $8,250, of which $4,125 was expensed during the three months ended September 30, 2010 and $4,125 was expensed during the three months ended June 30, 2010. The remaining shares issued, 816,666 (valued at $108,974) and 1,110,666 (valued at $158,173) during the three and nine months ended September 30, 2010, respectively, were expensed as stock based compensation in the accompanying consolidated statement of operations. During the three and nine months ended September 30, 2009, the Company issued 92,000 and 717,000 shares of common stock, respectively, of such stock, the grant-date fair value of which was estimated at $10,220 and $48,200, respectively.

Additionally, in May 2008, the Company entered into a one year agreement with a third-party public relations firm. The terms of the agreement included the issuance of 17,500 shares of common stock to be paid to the public relations firm in 4 equal instalments. The 17,500 shares of common stock were issued during 2008 and were held by the Company in escrow to be delivered to the public relations firm in four equal quarterly instalments during the 1-year term of the agreement. The fair value of these shares was estimated to be $37,625 based on the market price of the securities, as quoted on the OTCBB on the date of issuance. During the three and nine months ended September 30, 2009, $0 and $12,542, respectively, had been expensed in the accompanying consolidated financial statements related to this agreement. As of June 30, 2009, the 17,500 shares had been fully earned, delivered and expensed.

In connection with the Company's equity line financing arrangement with Dutchess Opportunity Fund, II, LP ("Dutchess"), during the three and nine months ended September 30, 2010, the Company sold 644,986 and 1,340,982 shares of common stock, respectively to Dutchess at prices ranging from $0.1120 - $0.1763 per share resulting in proceeds of $79,949 and $198,308, respectively.

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.

A summary of the Company's warrant activity and related information for the nine months ended September 30, 2010 is provided below:

		Exercise Price	Number of Warrants
Outstanding and exercisable at December 31, 2009	$	0.75 – 1.50	1,955,750
Warrants exercised			-
Warrants granted	$	0.40	1,271,000
Warrants expired	$	0.75	(25,000)
Outstanding and exercisable at September 30, 2010	$	0.40 - 1.50	3,201,750

Stock Warrants as of September 30, 2010

	Exercise Price	Warrants Outstanding	Remaining Life (Years)	Warrants Exercisable
$	1.50	1,850,750	0.61	1,850,750
$	1.25	80,000	0.61	80,000
$	0.40	1,271,000	2.54	1,271,000
		3,201,750		3,201,750

10

During the nine months ended September 30, 2010 the Company received $187,500 for subscriptions for the purchase of units, consisting of 1,250,000 shares of common stock and 1,250,000 warrants to purchase common stock at a price of $0.40 per share. Additionally, the Company issued 21,000 shares of common stock and 21,000 warrants to purchase common stock at a price of $0.40 per share as compensation in conjunction with the subscriptions. Such securities were valued at $3,150.

Common Stock Options

For the three and nine months ended September 30, 2010 the Company recorded compensation expense related to options granted under the 2008 Equity Compensations Plan (the "2008 Plan") of $45,600 and $218,955, respectively. For the three and nine months ended September 30, 2009 compensation expense related to the 2008 plan totaled $97,003 and $292,116, respectively.

The fair value of our stock options granted during the nine months ended September 30, 2010 and 2009, respectively, was estimated at the date of grant using the following assumptions:

	Nine Months Ended September 30, 2010	2009
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	1.50%	1.9-2.25%
Expected volatility	60.00%	73-152%
Expected life (in years)	3-5	4-5

The 2008 Plan provides for the issuance of a maximum of 7,000,000 shares of which, after adjusting for estimated pre-vesting forfeitures, approximately 2,355,000 were still available for issuance as of September 30, 2010.

Stock option activity under the 2008 Plan for the nine months ended September 30, 2010 is summarized as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Grant Date Fair Value
Outstanding at December 31, 2009	4,267,500	$ 0.61	2.94	$ 1,210,360
Options granted	1,258,000	$ 0.17		83,821
Options exercised	-	$ -	-	-
Options cancelled/ forfeited/ expired	(2,610,000)	$ 0.70		(836,469)
Outstanding at September 30, 2010	2,915,500	$ 0.52	2.08	$ 457,712
Exercisable at September 30, 2010	2,052,315	$ 0.32	1.86	$ 359,328

During the three and nine months ended September 30, 2010, the Company granted 120,000 and 1,258,000 options respectively, to various members of management, the board of directors, employees and consultants for services rendered. The options are exercisable at prices ranging from $0.16-$0.18 per share, vest within one year of the grant date and terminate at the earlier of (1) three years following the vesting date or (2) upon termination of employment or cessation of services to the Company.

As of September 30, 2010, after adjusting for estimated pre-vested forfeitures, there was approximately $96,000 of unrecognized compensation cost related to unvested stock options which is expected to be recognized monthly over approximately two years.

Share-Based Compensation Expense
Total non-cash compensation expense related to the issuance of stock, warrants, and options was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Stock compensation	$ 146,035	$ 16,470	$ 285,830	$ 66,992
Options compensation	45,600	97,003	218,955	292,116
	$ 191,635	$ 113,473	$ 504,785	$ 359,108

4. COMMITMENTS & CONTINGENCIES

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

A lawsuit has been filed against the Company by a former consultant who claims we owe him $23,912 plus interest and attorney fees for services he rendered to the Company during 2009. We contend that the services in question were not performed, not approved or not delivered and accordingly, no additional payments are due to the former consultant. We have countersued the former consultant and intend to defend this case vigorously. The outcome of the lawsuit is not expected to have a material impact on the Company's financial condition or operations.

5. SUBSEQUENT EVENTS

In connection with the Company's equity line financing agreement it has entered into with Dutchess, the Company sold 659,124 shares of common stock to Dutchess during October and November 2010 at approximately $.10 per share, resulting in proceeds of approximately $66,000.

In October 2010, the Company issued 450,000 shares of common stock (valued at $45,000) to various consultants and contractors for services rendered.

13

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 "we", "us", "our", and “the Company” mean GTX Corp and our three wholly-owned subsidiaries.

Operations

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

- Global Trek Xploration (“GTX California”), offers a GPS and cellular location hardware and software platform that enables subscribers to track in real time the whereabouts of people, pets or high valued assets through a miniaturized transceiver module, wireless connectivity gateway, middleware and viewing portal. On March 18, 2010, GTX California entered into a four-year agreement with Aetrex Worldwide, Inc. (“Aetrex”) pursuant to which we granted Aetrex the right to embed our GPS tracking device into certain footwear products manufactured and sold by Aetrex. Aetrex Worldwide, Inc. is a global leader in pedorthic footwear and foot orthotics. Aetrex has certain exclusive and non-exclusive rights under this agreement. In order to retain its exclusive rights, Aetrex must purchase 156,000 devices from us over the four-year term of the license agreement commencing with 6,000 GPS tracking devices in the first year, 25,000 devices during the second year, 50,000 during the third year, and 75,000 devices during the fourth year. The end-users of the GPS enabled Aetrex shoes, expected to be predominately seniors afflicted with dementia, will also pay us a monthly service fee, a portion of which will be shared with Aetrex. On June 30, 2010, Aetrex issued its first purchase order for 3,000 devices. The Aetrex shoe is scheduled to be released in the first quarter of 2011.

On May 28, 2010, the Company entered into a three year agreement with Midnite Air Corp ("MNX") granting MNX the exclusive rights to the GPS tracking platform for use in the transportation of high valued assets. In order to retain exclusive rights, MNX must purchase a minimum of 15,000 devices over the three year term at 5,000 per year and activate each device with a monthly monitoring subscription. Each device shipped will automatically be activated within 90 days of receipt with a monthly data monitoring and connectivity subscription fee.

Increasing our international distribution, on June 30, 2010, the Company entered into an agreement with Tracking Central, an Australian based company. Tracking Central has licensed the GTX platform and began paying a per device monthly subscription in August 2010.

- Our LOCiMOBILE, Inc. subsidiary has developed, and launched applications for the iPhone, iPad, Android, BlackBerry, Samsung bada and other GPS enabled handsets that permit authorized users to locate and track the movement of the holder of the handset. As of November 8, 2010, we offer a total of seventeen (17) mobile phone applications ("Apps") that run on six (6) different platforms (iPhone, BlackBerry Google Android, iPad, Web and Samsung bada). Our Apps have been downloaded over 750,000 times in 99 countries with two of our Apps on the iTunes top 25 social networking category, reaching number seven on the downloads list, number two on the highest grossing list and iTunes "What's Hot" list. Continuing with our platform expansion, during July 2010 we signed a binding contract with Samsung Electronics to develop 2 GPS tracking Apps for their new mobile operating system and platform – bada. In addition, we recently launched our first monthly paid subscription real-time tracking applications on the BlackBerry and Google Android operating systems. There are currently several new Apps in development and scheduled for release in the fourth quarter of 2010. These include a series of applications that will run on Samsung's new bada platform, additional applications for the iPad and other tablets and more applications for the iPhone, BlackBerry and Google Android operating systems all of which should further contribute to our user base community, the value of our brand and revenue increases from App sales, monthly subscriptions and advertising. During the three and nine months ended September 30, 2010, our Apps generated revenues of approximately $80,000 and $251,000, respectively.

- Our Code Amber News Service, Inc. ("CANS") subsidiary is a U.S. and Canadian syndicator and content provider of all state Amber Alerts (public notifications of child abductions) and missing person alerts. Additionally, CANS markets and sells the patent pending electronic medical Code Amber Alertag and has recently signed up dozens of online affiliates and channel partners with a current total of 278 affiliates in 61 countries and 25 active fundraising organization throughout the United States that are selling the Alertag. Mark Klaas has produced a video encouraging the support of Code Amber and the Alertag and offers the Alertags through his non-profit organization. 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 to the masses. To date, our CANS operations have been primarily used to generate interest in our other products.

GTX Corp has recognized Latin America as a growing and strategically important market and is engaging this market through partnerships, bilingual sales and technical support staff along with localized software translated into Spanish for the region. GTX Corp has commenced selling personal location solutions to Mexico, Brazil, Colombia, Peru, Chile, Venezuela and Guatemala, through hardware devices, platform licensing and smart phone Apps. The Company expects to see significant growth in the remainder of 2010 and in 2011 as the Company increases the number of its local partnerships and its marketing efforts in these international territories.

Results of Operations

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

	Three Months Ended September 30,			
	2010		2009	
	$	% of Revenues	$	% of Revenues
Revenues	$ 105,123	100%	126,704	100%
Cost of goods sold	55,058	52%	60,448	48%
Gross margin	50,065	48%	66,256	52%
Salaries and professional fees	419,619	399%	388,836	307%
Research and development	27,162	26%	5,782	5%
General and administrative	66,112	63%	115,715	91%
Operating expenses	512,893	488%	510,333	403%
Loss from operations	(462,828)	(440)%	(444,077)	(350)%
Other income	-	-%	6,837	5%
Net loss	$ (462,828)	(440)%	$ (437,240)	(345)%

	Nine Months Ended September 30,			
	2010		2009	
	$	% of Revenues	$	% of Revenues
Revenues	$ 322,837	100%	$ 185,227	100%
Cost of goods sold	156,170	48%	88,321	48%
Gross margin	166,667	52%	96,906	52%
Salaries and professional fees	1,297,662	402%	1,293,351	698%
Research and development	58,400	18%	91,109	49%
General and administrative	255,276	79%	306,621	166%
Operating expenses	1,611,338	499%	1,691,081	913%
Loss from operations	(1,444,671)	(447)%	(1,594,175)	(861)%
Other income	636	-%	34,172	18%
Net loss	$ (1,444,035)	(447)%	$ (1,560,003)	(842)%

Revenues

Revenues during the three months ended September 30, 2010 were derived from all three subsidiaries, from multiple channels, both domestic and international, and from both enterprise customers and consumers. Revenues, generated from the sale of our geo-specific Apps, during the three and nine months ended September 30, 2010 totalled approximately $80,000 and $251,000, respectively. Sales of the LOCiMOBILE® products are expected to increase as more LOCiMOBILE® applications are developed and newer versions of the existing LOCiMOBILE® products are released; and as those products become more available on more Smartphone and tablet platforms. The remainder of our revenues were generated from platform product test agreements, hardware products such as the miniMT and micro LOCi devices, portal software licensing and monthly subscriptions, advertising, Code Amber annual news feed subscriptions, points of display sponsorships and the Code Amber Alertags.

Cost of goods sold

Cost of goods sold during the three and nine months ended September 30, 2010 consisted primarily of the cost to sell the LOCiMOBILE® applications, as well as depreciation on the capitalized costs of the applications and the cost of the miniMT and micro LOCi devices. Cost of goods sold during the three and nine months ended September 30, 2009 consisted primarily of the monthly cellular costs to run our gpVectorTM Powered connectivity gateway. Cost of goods sold as a percentage of revenues fluctuates based on the sales mix of hardware products, Apps and other revenues streams during any period.

Salaries and professional fees

Salaries and professional fees during the three and nine months ended September 30, 2010 increased by 8% and 0%, respectively, in comparison to the comparable 2009 period. The stabilization during the nine months ended September 30, 2010, despite a 74% increase in revenues, is due to continued efforts by management to cut expenses in light of the downturn in the economy. The increase during the three months ended September 30, 2010 is due to stock granted to both consultants and employees valued at approximately $136,000 compared to approximately $16,000 in the comparable 2009 period. Such stock was granted primarily to consultants for public relations and marketing services for the Company. In order to better manage our cash situation and continue to utilize high level employees and consultants, the Company has elected to compensate such employees and consultants in stock (and options) rather than cash. These increases were then offset by cost cutting measures that resulted in decreases in amounts expensed for salaries and professional fees that were paid or to be paid in cash, as well as decreases in stock based compensation expense related to our 2008 Equity Compensation Plan.