

GTX CORP
Form S-1
December 08, 2009

As filed with the Securities and Exchange Commission on December 8, 2009
Registration No. ____ - _____

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

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

GTX Corp
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	3663 (Primary Standard Industrial Classification Code Number)	98-0493446 (I.R.S. Employer Identification No.)
---	---	---

117 W. 9th Street, #1214
Los Angeles, CA 90015
(213) 489-3019
(Address, including zip code and telephone
number, including area code, of registrant's
principal executive offices)

Murray Williams,
Chief Financial Officer
GTX Corp
117 W. 9th Street, #1214
Los Angeles, California 90015
(213) 489-3019
(Name, address, including zip code and telephone
number, including area code, of agent for service)

Copies to:

Istvan Benko, Esq.
TroyGould PC
1801 Century Park East, Suite 1600
Los Angeles, California 90067
(310) 553-4441

Approximate date of commencement of proposed sale to public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

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 p
 (Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.001 par value	12,000,000	\$ 0.19	\$ 2,280,000	\$ 127.22

- (1) Pursuant to Rule 416 under the Securities Act, the shares being registered hereunder include such indeterminate number of shares of common stock as may be issuable with respect to the shares being registered hereunder as a result of stock splits, stock dividends or similar transactions.
- (2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(c) of the Securities Act of 1933 based upon the last sale price of the common stock of the Registrant as reported on the OTC Bulletin Board on December 4, 2009.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. The securities offered pursuant to this prospectus may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS SUBJECT TO COMPLETION, DATED _____

GTX Corp
12,000,000 SHARES OF COMMON STOCK

This prospectus relates to the offer and resale of up to 12,000,000 shares of our common stock, par value \$0.001 per share, by the selling stockholder, Dutchess Opportunity Fund, II, L.P. (formerly known as Dutchess Equity Fund, LP, and herein referred to as “Dutchess”), which Dutchess has agreed to purchase pursuant to the investment agreement we entered into with Dutchess on November 16, 2009. Subject to the terms and conditions of the investment agreement, which we refer to in this prospectus as the “Investment Agreement,” we have the right to “put,” or sell, up to \$10.0 million in shares of our common stock to Dutchess. This arrangement is sometimes referred to as an “Equity Line.” For more information on the selling stockholder, please see the section of this prospectus entitled “Selling Stockholder” beginning on page 17.

We will not receive any proceeds from the resale of these shares of common stock offered by Dutchess. We will, however, receive proceeds from the sale of shares to Dutchess pursuant to the Equity Line. When we put an amount of shares to Dutchess, the per share purchase price that Dutchess will pay to us in respect of such put will be determined in accordance with a formula set forth in the Investment Agreement. Generally, in respect of each put, Dutchess will pay us a per share purchase price equal to ninety-four percent (94%) of the volume weighted average price, or “VWAP,” of our common stock during the five consecutive trading day period beginning on the trading day immediately following the date Dutchess receives our put notice.

Dutchess may sell the shares of common stock from time to time at the prevailing market price on the Over-the-Counter (OTC) Bulletin Board, or on an exchange if our shares of common stock become listed for trading on such an exchange, or in negotiated transactions. Dutchess is an “underwriter” within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), in connection with the resale of our common stock under the Equity Line. For more information, please see the section of this prospectus titled “Plan of Distribution” on pages 50 through 51.

Our common stock is quoted on the OTC Bulletin Board under the symbol “GTXO”. The last reported sale price of our common stock on the OTC Bulletin Board on December 4, 2009 was \$0.19 per share.

Investing in the offered securities involves risks, including those set forth in the “Risk Factors” section of this prospectus beginning on page 6, as well as those set forth in any prospectus supplement.

We will be responsible for all fees and expenses incurred in connection with the preparation and filing of this registration statement, provided, however, we will not be required to pay any underwriters’ discounts or commissions relating to the securities covered by the registration statement.

You should read this prospectus and any prospectus supplement carefully before you decide to invest. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this document.

Edgar Filing: GTX CORP - Form S-1

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2009.

TABLE OF CONTENTS

	PAGE
STATEMENT REGARDING FORWARD LOOKING STATEMENTS	1
PROSPECTUS SUMMARY	2
THE OFFERING	5
RISK FACTORS	6
USE OF PROCEEDS	17
SELLING STOCKHOLDER	17
OUR BUSINESS	18
EMPLOYEES	30
DESCRIPTION OF PROPERTY	30
LEGAL PROCEEDINGS	31
MANAGEMENT	31
EXECUTIVE COMPENSATION	33
DIRECTOR COMPENSATION	36
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	37
MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION	39
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	47
CORPORATE GOVERNANCE	48
MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	48
DESCRIPTION OF SECURITIES	49
PLAN OF DISTRIBUTION	50
EXPERTS	51
LEGAL MATTERS	52
CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS	52
COMMISSION'S POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES	52
ADDITIONAL INFORMATION	53
 PART II — INFORMATION NOT REQUIRED IN PROSPECTUS	 II-1

STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some of the statements included in this prospectus and any prospectus supplement contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this prospectus and any prospectus supplement, including statements regarding our plans, objectives, goals, strategies, future events, capital expenditures, future results, our competitive strengths, our business strategy and the trends in our industry are forward-looking statements. The words “believe,” “may,” “could,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “appear,” “future,” “like,” “suggest,” “goal,” “potential” and similar expressions, as they relate to our company, are intended to identify forward-looking statements. All statements, other than statements of historical fact, included in this prospectus and any prospectus supplement regarding our financial position, business strategy and plans or objectives for future operations are forward looking statements.

Forward-looking statements reflect only our current expectations. In any forward-looking statement, where we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements due to a number of uncertainties, many of which are unforeseen, including:

- the uncertain market acceptance of our existing and future products;
- our need for, and the availability of, additional capital in the future to fund our operations and the development of new products;
- rapid changes in the telecommunications industry and the development of new wireless technologies that may affect the utility and commercial viability of our products;
- the timing and magnitude of expenditures we may incur in connection with our ongoing product development activities;
- the success, timing and financial consequences of new strategic relationships or licensing agreements we may enter into; and
- the level of competition from our existing and from new competitors in our marketplace.

In addition, you should refer to the “Risk Factors” section of this prospectus beginning on page 6 for a discussion of other factors that may cause our actual results to differ materially from those implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this prospectus and any prospectus supplement will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all. Accordingly, you should not place undue reliance on these forward-looking statements. All subsequent written and oral forward looking statements attributable to us or the persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. We undertake no obligation to update any of these forward looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law or regulation.

PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. Because it is a summary, it does not contain all the information you should consider before investing in our common stock. Before making any investment decision, you should read the entire prospectus carefully, including the “Risk Factors” section of this prospectus beginning on page 6, the financial statements and the notes to the financial statements. Unless stated otherwise, references in this prospectus to the terms “GTX Corp,” “Company,” “we,” “us,” or “our” refer to the ongoing operations of GTX Corp, a Nevada corporation (formerly known as Deeas Resources Inc.) and its wholly-owned subsidiaries, Global Trek Xploration, LOCiMOBILE, Inc., and Code Amber News Service, Inc.

The Company

GTX Corp provides various interrelated and complimentary products and services in the Personal Location Services marketplace. The Company develops and integrates two-way global positioning system (GPS) technologies that seamlessly integrate with consumer products and enterprise applications. We currently provide these personal location solutions through hardware devices and platform licensing in the U.S. and have commenced such sales in Mexico, Guatemala, Israel and Nepal. We also recently commenced providing personal location smart phone applications (Apps) in the U.S. and abroad. To date, these smart phone Apps have been uploaded in 58 countries. Our Personal Location Services also include the location of missing children through our Amber Alerts and location and identification products that we have commenced marketing as part of the Amber Alert platform. We believe that GTX Corp differentiates itself from other providers of personal location solutions because of its ability to integrate customizable form factors with dedicated functionality and personalized interfaces to offer consumers and businesses localized applications that harness the full spectrum of GPS enabled Personal Location Services.

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 and operations consist of the following:

- Global Trek Xploration, a California corporation (“GTX California”), currently offers a global positioning system (GPS) and cellular location platform that utilizes the latest in miniaturized, low power consumption technology that enables subscribers to track in real time the whereabouts of people, pets or high valued assets through GTX California’s customizable transceiver module, wireless connectivity gateway, smart phone Apps, middleware and viewing portal. We launched our initial product, GpVector™, during the third calendar quarter of 2008 on a limited basis. During 2009, we have entered into various development and test agreements that, if successfully consummated, are expected to generate recurring revenues commencing in 2010. In May 2009 we entered into a platform test agreement with Aetrex Worldwide, Inc., a global leader in pedorthic and orthotic footwear to embed our technology into their footwear products, to bring GPS shoes to the senior citizens market. In September 2009, we entered into a binding exclusive agreement with Kalika Group, one of Nepal’s largest and most respected business conglomerates for the deployment of GTX California’s proprietary GPS technologies and product line into Nepal, India, Pakistan, Bangladesh, Sri Lanka, Maldives and Bhutan – a marketplace comprising of an emerging, dynamic economy with a combined population of over 1.5 billion. In October 2009, GTX California entered into an exclusive product test agreement with MMX to develop an industry first, proprietary GPS enabled transport container. MMX is a worldwide provider of specialty critical and security sensitive global transportation and logistics services.

- GTX Corp also owns and operates LOCiMOBILE, Inc., its subsidiary that develops applications which transform smart phones into real time two-way GPS personal location transceivers. In April 2009, LOCiMOBILE, Inc. launched a test version of LOCiMe, the first in a series of geo-specific applications. In June 2009, LOCiMOBILE, Inc. launched iLOCi2TM, its second in a series of geo-specific applications that transform iPhones into real time, GPS transceivers, utilizing some of the latest technological breakthroughs of the Apple 3.0 operating system. LOCiMOBILE, Inc. expects to release these services for other GPS enabled handsets in the near future. LOCiMOBILE, Inc. is currently developing more applications for the iPhone and has begun development on other platforms such as the BlackBerry® and Google Android® phones.
- Our Code Amber News Service, Inc. (“CANS”) subsidiary is dedicated to the recovery of missing persons and is the leading U.S. and Canadian syndicator of online Amber Alerts (public notifications of child abductions), reaching an audience of 1.8 billion through its web site ticker and point of display feeds presented by retail merchants, Internet service providers, corporate sponsors, affiliate partners and Federal, State and Local agencies. CANS, a member of ONA (Online News Association) and RTNDA (Radio Television News Directors Association), began selling Code Amber News Service subscriptions and sponsored links in February 2009. In September 2009, CANS launched its Code Mobile wireless alert application and service for the iPhone®, BlackBerry® and Google Android® phones. Code Mobile Alerts are distributed to subscribers in real-time and are sorted by State utilizing the phone’s GPS capabilities. CANS is able to generate revenues through advertising that appears on the Code Mobile Alert App and on the CANS website portal. In November 2009, CANS signed a licensing agreement with Vertytag LLC for the rights to commercialize a secure digital identification tag that we intend to market and sell under our brand as the “Code Amber Alertag.” The Alertag identification tag, which we expect to commence selling in early 2010, will be sold on the Company’s Code Amber website. CANS has also established a relationship with Brick House Security pursuant to which we have begun selling Brick House Security’s child locating products on our Amber Alert website. CANS and Brick House Security are also working to jointly develop additional child safety and protection programs.

GTX Corp has recognized Latin America as a growing and strategically important market. We have now engaged this market through partnerships and have hired bilingual sales and technical support staff. In addition, to make our products accessible in these new markets, we have localized our software into Spanish. GTX Corp has also commenced selling personal location solutions in Mexico, Brazil, Colombia, Peru, Chile, Venezuela and Guatemala, through hardware devices, platform licensing and smart phone Apps. We expect to see material growth in these territories in 2010 as we increase marketing efforts and bring on additional customers, and as future customers become more aware of our technology and its benefits- peace of mind by knowing where someone or something of high value is in real time through any internet accessible device.

Summary Financial Data

Because this is only a summary of our financial information, it does not contain all of the financial information that may be important to you. Therefore, you should carefully read all of the information in this prospectus and any prospectus supplement, including the financial statements and their explanatory notes and the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before making a decision to invest in our common stock. The information contained in the following summary is derived from our financial statements for the quarters ended September 30, 2009 and 2008 and the years ended December 31, 2008 and 2007.

	Quarters ended September 30,		Years ended December 31,	
	2009	2008	2008	2007
Revenues	\$ 126,704	\$ 235,102	\$ 424,166	\$ 26,000
Cost of goods sold	60,448	193,864	334,482	-
Net profit	66,256	41,238	89,684	26,000

Edgar Filing: GTX CORP - Form S-1

Salaries and professional fees	388,836	795,242	2,704,775	796,881
Research and development	5,782	112,632	371,924	240,500
General and administrative	115,715	133,355	402,293	280,366
Operating expenses	510,333	1,041,229	3,478,992	1,317,747
Loss from operations	(444,077)	(999,991)	(3,389,308)	(1,291,747)
Other income (expense)	6,837	14,000	(11,975)	(35,907)
Net loss	\$ (437,240)	\$ (985,991)	\$ (3,401,283)	\$ (1,327,654)

- 3 -

Business History

GTX Corp was incorporated in the State of Nevada on April 7, 2006 under its former name “Deeas Resources Inc.” On March 14, 2008, this company (Deeas Resources Inc.) acquired all of the outstanding capital stock of Global Trek Xploration, a California corporation (“GTX California”), in exchange for the issuance of 18,000,001 shares of GTX Corp common stock (the “Exchange Transaction”). Shortly thereafter, we changed our name to GTX Corp.

Although we acquired GTX California in the Exchange Transaction, for accounting purposes, the Exchange Transaction was treated as an acquisition of GTX Corp and a recapitalization of GTX California. Accordingly, the financial statements contained in this prospectus, and the following description of our results of operations and financial condition, reflect (i) the operations of GTX California alone prior to the Exchange Transaction, and (ii) the combined results of this company and all three of its subsidiaries since the Exchange Transaction.

Immediately following the closing of the Exchange Transaction, we raised a total of \$2,000,000 in a private placement through the sale to qualified investors of an aggregate total of 2,666,668 units (“Units”) at a price of \$0.75 per Unit (the “Financing”). Each Unit consists of one share of common stock and one warrant (“Warrant”) to purchase one share of common stock at an exercise price of \$1.25 per share. These Warrants had terms of 12 and 18 months and, as a result, have now expired.

At closing of the Exchange Transaction, pursuant to the Exchange Agreement, we also converted a \$1,000,000 bridge loan, plus accrued and unpaid interest, made by Jupili Investment S.A. to GTX California (“Bridge Loan”) into Units at a conversion price of \$0.75 per Unit, based upon the same terms and conditions as the Financing. Thus, concurrently with the Exchange Transaction, we also issued to Jupili 1,374,334 shares of common stock and warrants to purchase an aggregate of 1,374,334 shares of our common stock. These warrants have now expired.

In May 2008 we completed a second private placement (the “Additional Financing”) of 1,732,000 units (“Additional Units”) of our securities. The Additional Units were sold at a price of \$1.00 per Additional Unit for aggregate proceeds of \$1,732,000. Each Additional Unit consisted of one common share and one share purchase warrant (“Additional Warrant”). Each Additional Warrant is exercisable at an exercise price of \$1.50 per share for a three-year term.

Our Principal Executive Offices

Our principal executive offices are located at 117 W. 9th Street, Suite 1214, Los Angeles, California 90015. Our telephone number is (213) 489-3019 and our website address is www.GTXCorp.com. Information included or referred to on our website is not a part of this prospectus.

THE OFFERING

This prospectus relates to the resale of up to 12,000,000 shares of our common stock by Dutchess Opportunity Fund, II, L.P. (formerly known as Dutchess Equity Fund, LP, and herein referred to as “Dutchess”). Dutchess will acquire our common stock pursuant to the terms and conditions of the Investment Agreement.

The Investment Agreement with Dutchess provides that Dutchess is committed to purchase from us, from time to time, up to \$10,000,000 of our common stock over the course of thirty-six months. We may draw on the facility from time to time, as and when we determine appropriate in accordance with the terms and conditions of the Investment Agreement. When we “put”, or sell, an amount of shares to Dutchess, the per share purchase price that Dutchess will pay to us in respect of such put will be determined in accordance with a formula set forth in the Investment Agreement. Generally, in respect of each put, Dutchess will pay us a per share purchase price equal to ninety-four percent (94%) of the VWAP of our common stock during the five consecutive trading day period beginning on the trading day immediately following our put notice. The maximum number of shares issuable by us and purchasable by Dutchess under the Investment Agreement is 12,000,000.

Securities Offered	Up to 12,000,000 shares of our common stock by Dutchess, the selling stockholder.
Offering Price	To be determined by the prevailing market price for the shares at the time of the sale.
Use of Proceeds	We will not receive any proceeds from the sale of shares by the selling stockholder. However, we will receive proceeds from the shares of our common stock that we sell to Dutchess under the Equity Line. See “Use of Proceeds.”
Risk Factors	An investment in our common stock involves a high degree of risk. See “Risk Factors” beginning on page 6 and the other information in this prospectus for a discussion of the factors you should consider before you decide to invest in the shares of common stock offered hereby.
OTC Bulletin Board Symbol	GTXO

The total number of shares of our common stock outstanding as of December 7, 2009 is 39,466,540, and excludes:

- 12,000,000 shares of common stock reserved for issuance upon puts to Dutchess pursuant to the Equity Line;
- 4,412,500 shares of common stock issuable upon exercise of outstanding stock options at exercise prices ranging from \$0.06 to \$1.93 (a weighted average exercise price of \$0.60 per share); and
- 1,955,750 additional shares of common stock reserved for issuance under various outstanding warrant agreements, at exercise prices ranging from \$0.75 to \$1.50.

Unless otherwise specifically stated, information throughout this prospectus does not assume the exercise of outstanding options or warrants to purchase shares of our common stock.

RISK FACTORS

In addition to the other information included in this prospectus and any prospectus supplement, the following factors should be carefully considered in evaluating our business, financial position and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position or future prospects. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from what we have projected. There may be additional risks that we do not presently know or that we currently believe are immaterial which could also materially adversely affect our business, financial position or future prospects.

Risks Related to Our Business

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

Although we were formed in 2002, we have only recently commenced selling our products and, accordingly, have a limited operating history. As of September 30, 2009, we had an accumulated deficit of approximately \$9,001,930. We have reported net losses of approximately \$3,401,000 and \$1,328,000 for the fiscal years ended December 31, 2008 and 2007, respectively. We received the first order for our products in September 2008, and we have only generated total revenues of \$450,000 during the past two fiscal years. Unless our sales increase substantially in the near future, we anticipate that we will continue to incur net losses in the near term, and we may never be able to achieve profitability. In order to achieve profitable operations we need to significantly increase our revenues from the sales of product and licensing fees. We cannot be certain that our business will ever be successful or that we will generate significant revenues and become profitable.

We have no experience or extensive history of operations or sales.

To date, we have only introduced one gpVector™ product that has been sold to a small number of customers. Accordingly, our business model has not yet been tested in the market and we have no operating or sales history on which an investor can evaluate our operations and prospects. In addition, our LOCi Mobile™ product, and its upgrade, were commercially released in mid-2009 and, accordingly, have not had substantial market penetration. Because of the limited sales of our products to date, we have no data to support our belief that our products will be accepted by the market and will be able to sustain our business. Our business plan is heavily dependent upon a number of other products that we have not yet completed and/or commercially released. Accordingly, we are unable to accurately forecast the market acceptance of our existing and future products. As a result, an investment in our company is highly speculative and no assurance can be given that the stockholders will realize any return on their investment or that they will not lose their entire investment.

The nature of our business is speculative and dependent on a number of variables beyond our control that cannot be reliably ascertained in advance.

The revenues and profits of an enterprise involved in the location based business are generally dependent upon many variables. Our customer appeal depends upon factors which cannot be reliably ascertained in advance and over which we have no control, such as unpredictable critic reviews and appeal to the public. As with any relatively new business enterprise operating in a specialized and intensely competitive market, we are subject to many business risks which include, but are not limited to, unforeseen marketing difficulties, excessive research and development expenses, unforeseen negative publicity, competition, product liability issues, manufacturing and logistical difficulties, and lack of operating experience. Many of the risks may be unforeseeable or beyond our control. There can be no assurance that we will successfully implement our business plan in a timely or effective manner, that we will be able to generate sufficient interest in our products, or that we will be able to market and sell enough products and services to generate

sufficient revenues to continue as a going concern.

- 6 -

Our wireless location products and technology are new and may not be accepted in the market, which would dramatically alter our financial results.

We have had only a limited release of two of our planned wireless locator products in the market, and are currently a party to three product development and test agreements to determine if our products can successfully be sold in other territories (i.e. India, Pakistan, Israel, Nepal, etc.) and incorporated into other consumer and commercial products (such as, for example, in senior citizens' shoes, and in proprietary GPS enabled transport containers). There can be no assurances that consumer or commercial demand will meet, or even approach, our expectations. In addition, our pricing and marketing strategies may not be successful. Lack of customer demand, a change in marketing strategy and changes to our pricing models could dramatically alter our financial results.

In order for our products to be successful, we need to establish market recognition quickly, following the introduction of our products

We believe it is imperative to our success that we obtain significant market share for our products quickly, before other competitors establish a significant market share. We believe that, if a market for products like ours develops, an early entrant that gains significant market share will dominate the market, significantly reducing opportunities for competitors. We have limited experience conducting marketing campaigns, and we may fail to generate significant interest. We cannot be certain that we will be able to expand our brand and capitalize on the commercial acceptance of our products.

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

Our GpVector™ product is a new product that we recently introduced. However, to date, we have only manufactured a limited number of that product. In addition, we are continually redesigning and enhancing that product and are designing new products based on that technology that we hope to manufacture and market in the near future. The manufacture and assembly of our products involves complex and precise processes, some of which have subcontracted to other companies and consultants. To date, we have manufactured a limited quantity of products and so we do not yet know whether we will encounter any serious problems in the production of larger quantities of our existing or new products. Any significant problems in manufacturing, assembling or testing our products could delay the sales of our products and have an adverse impact on our business and prospects. The willingness of manufacturers to make the product, or lack of availability of manufacturing capacity, may have an adverse impact on the availability of our products and on our ability sell our products. Manufacturing difficulties will harm our ability to compete and adversely affect our results of operations and financial condition, and may hinder our ability to grow our business as we expect.

We may have substantial future cash requirements but no assured financing source to meet such requirements.

We currently have sufficient cash and cash equivalents to support our projected operating needs for the current fiscal year. In addition, if we need additional funds, we may be able to obtain such additional funds under the Equity Line provided by Dutchess. However, with limited revenues from sales of our products and services, our business plan that calls for us to continue to improve our products, create new products, and more aggressively market our existing products will require us to obtain additional working capital. Our future capital requirements will depend on many factors, including continued progress in product enhancements and new product development programs, the magnitude of these programs, the time and costs involved in completion of technological, manufacturing and market requirements, and the cost of finalizing licensing agreements to produce licensing revenues. We do not know whether additional financing will be available when needed, or on terms favorable to us or our stockholders – particularly in light of current economic conditions which have significantly impacted the availability of credit, and other sources of capital. We may raise necessary funds through public or private equity offerings, debt financings or additional

corporate collaboration and licensing arrangements. To the extent we raise additional capital by issuing equity securities, our stockholders will experience further dilution. If we raise funds through debt financings, we may become subject to restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or products, or grant licenses on terms that are not favorable to us.

- 7 -

If adequate funds are not available, we may be required to delay, scale-back or eliminate our product enhancement and new product development programs or obtain funds through collaborative partners or others that may require us to relinquish rights to certain of our potential products that we would not otherwise relinquish. There can be no assurance that additional financing will be available on acceptable terms or at all, if and when required.

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

We expect that most of the components and subassemblies of our gpVector™ module will be initially manufactured for us by only one manufacturer. Although we could arrange for other manufacturers to supply these components and subassemblies, there is no assurance that we could do so without undue cost, expense and delay. If our sole manufacturers are unable to provide us with adequate supplies of high-quality components on a timely and cost-efficient basis, our operations will be disrupted and our net revenue and profitability will suffer. Moreover, if those manufacturers cannot consistently produce high-quality products that are free of defects, we may experience a high rate of product returns, which would also reduce our profitability and may harm our reputation and brand. Although we believe that we could locate alternate contract manufacturers, our operations would be impacted until alternate manufacturers are found.

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

Competition in the wireless location services market in the U.S. and abroad is intense. The adoption of new technology in the communications industry likely will intensify the competition for improved wireless location technologies. The wireless location services market has historically been dominated by large companies, such as Siemens AG and LoJack Corporation. In addition, a number of other companies such as Trimble Navigation, Verizon, FireFly, Disney, Mattel, Digital Angel Corporation, Location-Based Technologies, Inc. and WebTech Wireless Inc. either have announced plans for new products or have commenced selling products that are similar to our wireless location products, and new competitors are emerging both in the U.S. and abroad to compete with our wireless location services products. Due to the rapidly evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets, thereby further intensifying competition, adversely affecting our sales, and adversely affecting our business and prospects.

We expect to rely heavily on a few licensees of our technology. The loss of, or a significant reduction in, orders from these major customers could have a material adverse effect on our financial condition and results of operations.

Our current business model assumes that GTX California will license its technologies to only a few companies who will incorporate our technologies into products that they manufacture and market. Therefore, our revenues in the next several years could be heavily dependent on licenses that we may grant to a limited number of major customers in a few business segments. Accordingly, the loss of, or a significant reduction in, orders from these major customers could have a material adverse effect on our financial condition and results of operations.

We may not be successful in developing our new products and services.

The market for telecommunications based products and services is characterized by rapid technological change, changing customer needs, frequent new product introductions and evolving industry standards. These market characteristics are exacerbated by the emerging nature of this market and the fact that many companies are expected to introduce continually new and innovative products and services. Our success will depend partially on our ability to introduce new products, services and technologies continually and on a timely basis and to continue to improve the performance, features and reliability of our products and services in response to both evolving demands of prospective customers and competitive products.

There can be no assurance that any of our new or proposed products or services will maintain the market acceptance already established. Our failure to design, develop, test, market and introduce new and enhanced products, technologies and services successfully so as to achieve market acceptance could have a material adverse effect upon our business, operating results and financial condition.

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

Additionally, there can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction and marketing of new or improved products and services, or that our new products and services will adequately satisfy the requirements of prospective customers and achieve acceptance by those customers. In addition, new or enhanced products and services introduced by us may contain undetected errors that require significant design modifications. This could result in a loss of customer confidence which could adversely affect the use of our products, which in turn, could have a material adverse effect upon our business, results of operations or financial condition. If we are unable to develop and introduce new or improved products or services in a timely manner in response to changing market conditions or customer requirements, our business, operating results and financial condition will be materially adversely affected.

Our software products are complex and may contain unknown defects that could result in numerous adverse consequences, resulting in costly litigation or diverting management's attention and resources.

Complex software products such as those associated with our products often contain latent errors or defects, particularly when first introduced, or when new versions or enhancements are released. We have experienced and addressed errors and defects in the software associated with our GpVector™ product, but do not believe these errors will have a material negative effect in the future on the functionality of the GpVector™ product. However, there can be no assurance that, despite testing, additional defects and errors will not be found in the current version, or in any new versions or enhancements of this software or any of our products, any of which could result in damage to our reputation, the loss of sales, a diversion of our product development resources, and/or a delay in market acceptance, and thereby materially adversely affecting our business, operating results and financial condition. Furthermore, there can be no assurance that our products will meet all of the expectations and demands of our customers. The failure of our products to perform to customer expectations could give rise to warranty claims. Any of these claims, even if not meritorious, could result in costly litigation or divert management's attention and resources. Any product liability insurance that we may carry could be insufficient to protect us from all liability that may be imposed under any

asserted claims.

- 9 -

Until recently, our operations have been devoted to research and development and we have not launched any of our products to a large number of customers, making it difficult to evaluate our future prospects and results of operations.

GTX California, formed in 2002, dedicated its resources to research and development until recently, and has only launched one gpVector™ product to a limited number of customers. Also, we have only commercially released our LOCi Mobile™ system. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving industries. Some of these risks and uncertainties relate to our ability to:

- offer new and innovative products to attract and retain a larger customer base;
- increase awareness of our brand and continue to develop user and customer loyalty;
 - respond to competitive market conditions;
 - manage risks associated with intellectual property rights;
 - maintain effective control of our costs and expenses;
 - raise sufficient capital to sustain and expand our business;
 - attract, retain and motivate qualified personnel; and
- upgrade our technology to support additional research and development of new products.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected.

Our sales are uncertain and we can expect fluctuations in revenues and expenses.

Since we filled our first purchase order in September 2008 with the delivery of approximately 900 gpVector™ units, we have had only sporadic and minor sales. We have recently signed three product development and test agreements pursuant to which we and our customers are developing and testing products for release in 2010 in various markets and territories. If these tests are successfully completed, we will, from time to time, receive payments under these agreements. The amount of revenues we receive, if any, will fluctuate and depend on our customer's ability to sell the products that contain our technology. Accordingly, it is uncertain if and when we will receive future orders from our current and potential future customers. Until we enter into other license agreements that provide us with regular royalties or subscription revenues, or until our LOCi Mobile™ system has been uploaded by a significant number of users who pay our monthly usage fees, our sales will be sporadic and dependent upon sporadic and unpredictable orders from a limited number of customers.

Our expense levels in the future will be based, in large part, on our expectations regarding future revenue, and as a result net income/loss for any quarterly period in which material orders are delayed could vary significantly. In addition, our costs and expenses may vary from period to period because of a variety of factors, including our research and development costs, our introduction of new products and services, cost increases from third-party service providers or product manufacturers, production interruptions, changes in marketing and sales expenditures, and competitive pricing pressures.

Fluctuations in operating results could adversely affect the market price of our common stock.

Because our revenues and costs may fluctuate significantly, investors should not rely on quarter-to-quarter comparisons of our results of operations or the pro forma financial information as an indication of future performance. It is possible that, in future periods, results of operations will differ from the estimates of public market analysts and investors. Such a discrepancy could cause the market price of our common stock to decline significantly.

- 10 -

There are risks of international sales and operations.

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

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

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

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

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

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal controls over financial reporting and may in the future require our independent registered public accounting firm to annually attest to our evaluation, as well as issue their own opinion on our internal controls over financial reporting. The process of implementing and maintaining proper internal controls and complying with Section 404 is expensive and time consuming. We cannot be certain that the measures we will undertake will ensure that we will maintain adequate controls over our financial processes and reporting in the future. Furthermore, if we are able to rapidly grow our business, the internal controls that we will need will become more complex, and significantly more resources will be required to ensure our internal controls remain effective. Failure to implement required controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our auditors discover a material weakness in our internal controls, the disclosure of that fact, even if the weakness is quickly remedied, could diminish investors' confidence in our financial statements and harm our stock price. In addition, non-compliance with Section 404 could subject us to a variety of administrative sanctions, including the suspension of trading, ineligibility for future listing on one of the Nasdaq Stock Markets or national securities exchanges, and the inability of registered broker-dealers to make a market in our common stock, which may reduce our stock price.

We may suffer from product liability claims.

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

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

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

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

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

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

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

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

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

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

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

Rapid technological change in our market and/or changes in customer requirements could cause our products to become obsolete or require us to redesign our products, which would have a material adverse affect on our business, operating results and financial condition.

We expect that the market for our products is characterized by rapid technological change, frequent new product introductions and enhancements, uncertain product life cycles, changing customer demands and evolving industry standards, any of which can render existing products obsolete. We believe that our future success will depend in large part on our ability to develop new and effective products in a timely manner and on a cost effective basis. As a result of the complexities inherent in our product, major new products and product enhancements can require long development and testing periods, which may result in significant delays in the general availability of new releases or significant problems in the implementation of new releases. In addition, if we or our competitors announce or introduce new products our current or future customers may defer or cancel purchases of our products, which could materially adversely affect our business, operating results and financial condition. Our failure to develop successfully, on a timely and cost effective basis, new products or new product enhancements that respond to technological change, evolving industry standards or customer requirements would have a material adverse affect on our business, operating results and financial condition.

Changes in the government regulation of our wireless location products or wireless carriers could harm our business.

Our products, wireless carriers and other components of the communications industry are subject to domestic government regulation by the Federal Communications Commission (the "FCC") and international regulatory bodies. These regulatory bodies could enact regulations that affect our products or the service providers which distribute our products, such as limiting the scope of the service providers' market, capping fees for services provided by them or imposing communication technology standards which impact our products. Changes in these regulations could affect our products and, thereby, adversely affect our business and operations.

Future acquisitions or strategic investments may not be successful and may harm our operating results.

As part of our strategy, we have in the past acquired or established smaller businesses, and we may do so in the future. For example, we recently established our LOCiMOBILE, Inc. subsidiary and recently purchased our Code Amber News Service, Inc. subsidiary. Future acquisitions or strategic investments could have a material adverse effect on our business and operating results because of:

- The assumption of unknown liabilities, including employee obligations. Although we normally conduct extensive legal and accounting due diligence in connection with our acquisitions, there are many liabilities that cannot be discovered, and which liabilities could be material.
- We may become subject to significant expenses related to bringing the financial, accounting and internal control procedures of the acquired business into compliance with U.S. GAAP financial accounting standards and the Sarbanes Oxley Act of 2002.
- Our operating results could be impaired as a result of restructuring or impairment charges related to amortization expenses associated with intangible assets.
- We could experience significant difficulties in successfully integrating any acquired operations, technologies, customers' products and businesses with our existing operations.
- Future acquisitions could divert substantial capital and our management's attention.
- We may not be able to hire the key employees necessary to manage or staff the acquired enterprise operations.

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

Our executive officers and directors, in the aggregate, beneficially own shares representing approximately 19.9% of our common stock. Beneficial ownership includes shares over which an individual or entity has investment or voting power and includes shares that could be issued upon the exercise of options and warrants within 60 days after the date of determination. On matters submitted to our stockholders for approval, holders of our common stock are entitled to one vote per share. If our executive officers and directors choose to act together, they would have significant influence over all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these individuals, if they chose to act together, would have significant influence on the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire.

Risks Related to our Capital Stock and this Offering

We are registering the resale of a maximum of 12,000,000 shares of common stock which may be issued to Dutchess under the Equity Line. The resale of such shares by Dutchess could depress the market price of our common stock.

We are registering the resale of a maximum of 12,000,000 shares of common stock under the registration statement of which this prospectus forms a part. We may issue up to that number of shares to Dutchess pursuant to the Equity Line. The sale of these shares into the public market by Dutchess could depress the market price of our common stock. As of December 7, 2009, there were 39,466,540 shares of our common stock issued and outstanding.

Existing stockholders could experience substantial dilution upon the issuance of common stock pursuant to the Equity Line.

Our Equity Line with Dutchess contemplates our issuance of up to 12,000,000 shares of our common stock to Dutchess, subject to certain restrictions and obligations. If the terms and conditions of the Equity Line are satisfied, and we choose to exercise our put rights to the fullest extent permitted and sell 12,000,000 shares of our common stock to Dutchess, our existing stockholders' ownership will be diluted by such sales.

Dutchess will pay less than the then-prevailing market price for our common stock under the Equity Line.

The common stock to be issued to Dutchess pursuant to the Investment Agreement will be purchased at a 6% discount to the volume weighted average price (VWAP) of our common stock during the five consecutive trading day period beginning on the trading day immediately following the date of delivery of a put notice by us to Dutchess, subject to certain exceptions. Dutchess has a financial incentive to sell our common stock upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If Dutchess sells the shares, the price of our common stock could decrease.

We may not be able to access sufficient funds under the Equity Line when needed.

Our ability to put shares to Dutchess and obtain funds under the Equity Line is limited by the terms and conditions in the Investment Agreement, including restrictions on when we may exercise our put rights, restrictions on the amount we may put to Dutchess at any one time, which is determined in part by the trading volume of our common stock, and a limitation on Dutchess's obligation to purchase if such purchase would result in Dutchess beneficially owning more than 4.99% of our common stock. Accordingly, the Equity Line may be available to satisfy all of our funding needs.

Our common stock is thinly traded and the price of our common stock may be negatively impacted by factors that are unrelated to our operations.

Our common stock is currently quoted on the OTC Bulletin Board. Trading of our stock through the OTC Bulletin Board is frequently thin and highly volatile. The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our business objectives, the results of our clinical trials, trading volume in our common stock, changes in general conditions in the economy and the financial markets, or other developments which affect us or our industry. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

When we issue additional shares in the future, it will likely result in the dilution of our existing stockholders.

Our certificate of incorporation authorizes the issuance of up to 2,071,000,000 shares of common stock with a \$0.001 par value and 10,000,000 preferred shares with a par value of \$0.001, of which 39,466,540 common shares were issued and outstanding as of December 7, 2009. From time to time we may increase the number of shares available for issuance in connection with our equity compensation plans. Our board of directors may fix and determine the designations, rights, preferences or other variations of each class or series within each class of preferred stock and may choose to issue some or all of such shares to provide additional financing or acquire more businesses in the future.

Moreover, as of December 7, 2009, we had warrants and options to purchase an aggregate of 6,368,250 shares of our common stock, the exercise of which will further increase the number of outstanding shares. The issuance of any shares for acquisition, licensing or financing efforts, upon conversion of any preferred stock or exercise of warrants and options, pursuant to our equity compensation plans, or otherwise may result in a reduction of the book value and

market price of the outstanding shares of our common stock. If we issue any such additional shares, such issuance will cause a reduction in the proportionate ownership and voting power of all current stockholders.

- 15 -

Financial Industry Regulatory Authority (FINRA) sales practice requirements may also limit a stockholder's ability to buy and sell our common stock.

FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

We have never paid dividends on our common stock and do not anticipate paying any in the foreseeable future.

We have never declared or paid a cash dividend on our common stock and we do not expect to pay cash dividends in the foreseeable future. If we do have available cash, we intend to use it to grow our business. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at that time. In addition, our ability to pay dividends on our common stock may be limited by Nevada corporate law. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment. Investors seeking cash dividends should not purchase our common stock.

Sales of a substantial number of shares of our common stock into the public market may result in significant downward pressure on the price of our common stock and could affect your ability to realize the current trading price of our common stock.

Sales of a substantial number of shares of our common stock in the public market could cause a reduction in the market price of our common stock. To the extent stockholders sell shares of common stock, the price of our common stock may decrease due to the additional shares of common stock in the market.

Any significant downward pressure on the price of our common stock as stockholders sell their shares could encourage short sales of our common stock. Any such short sales could place further downward pressure on the price of our common stock.

The elimination of monetary liability against our directors, officers and employees under Nevada law and the existence of indemnification rights to our directors, officers and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.

Our Amended and Restated Bylaws contain specific provisions that eliminate the liability of our directors for monetary damages to our company and stockholders, and permit indemnification of our directors and officers to the extent provided by Nevada law. We may also have contractual indemnification obligations under our employment agreements with our officers. The foregoing indemnification obligations could result in our company incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and resultant costs may also discourage our company from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers even though such actions, if successful, might otherwise benefit our company and stockholders.

Past activities of our company and its affiliates may lead to future liability for our company.

Prior to our acquisition of GTX California in 2008, we engaged in businesses unrelated to our current operations. Although certain previously controlling stockholders of our company are providing certain indemnifications against any loss, liability, claim, damage or expense arising out of or based on any breach of or inaccuracy in any of their representations and warranties made regarding such acquisition, any liabilities relating to such prior business against which we are not completely indemnified may have a material adverse effect on our company.

USE OF PROCEEDS

We will not receive any proceeds from the resale of our common stock offered by Dutchess. However, we will receive proceeds from the sale of our common stock to Dutchess pursuant to the Investment Agreement. The proceeds from our exercise of the put option pursuant to the Investment Agreement will be used to support the commercialization of our current and future products, to fund our research and development activities, for expansion and maintenance of our intellectual property portfolio and for general working capital needs, or for other purposes that our board of directors, in its good faith, deems to be in our best interest

SELLING STOCKHOLDER

The information provided in the table and discussions below has been obtained from Dutchess, the selling stockholder. The selling stockholder may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time or from time to time since the date on which it provided the information regarding the shares, all or a portion of the shares of common stock beneficially owned in transactions exempt from the registration requirements of the Securities Act. As used in this prospectus, "selling stockholder" includes the person or persons listed in the table below, and the donees, pledgees, transferees or other successors in interest selling shares of our common stock received from the named selling stockholder as a gift, pledge,