

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

FORM 10-KSB/A

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2007

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

For transition period from ____ to ____.

Commission file number 0-23153

REMOTEMDX, INC.

(Name of small business issuer in its charter)

UTAH

(State or other jurisdiction of
incorporation or organization)

87-0543981

(IRS Employer
Identification No.)

**150 West Civic Center Drive
Suite 400**

Sandy, Utah

(Address of principal executive offices)

84070

(Zip Code)

Issuer's telephone number: **(801) 451-6141**

Securities registered under Section 12(b) of the Act:
None

Name of each exchange on which registered:
None

Securities registered under Section 12(g) of the Act: Common Stock, \$0.0001 par value

Check whether the issuer is not required to file reports pursuant to Section 13 or 15 of the Exchange Act.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

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

Issuer's revenues for the fiscal year ended September 30, 2007, were \$7,270,540. Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 14, 2007, was approximately \$367,820,000.

There were 130,455,291 shares of common stock of the registrant outstanding as of December 14, 2007.

Transitional Small Business Disclosure Format (Check one): Yes No

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-KSB (“Form 10-KSB/A”) to our Annual Report on Form 10-KSB for the year ended September 30, 2007, initially filed with the Securities and Exchange Commission (“SEC”) on January 15, 2008 (“Original Filing”), reflects a restatement (“Restatement”) of the Consolidated Financial Statements of RemoteMDx, Inc. and subsidiaries (collectively, the “Company”).

This Form 10-KSB/A amends and restates Items 1, 5, 6, 7, 8A, 10, 11, 12 and 13 of the Original Filing. We have revised language in these Items from the Original Filing to reflect the Restatement. The foregoing Items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events. Other events occurring after the filing of the Original Filing or other disclosures necessary to reflect subsequent events have been addressed in the Company’s reports filed with the SEC subsequent to the filing of the Original Filing, including the Quarterly Reports on Form 10-QSB/A for the period ended December 31, 2007. We have obtained an updated consent from our independent registered public accounting firm, filed as Exhibit 23 to this Form 10-KSB/A. Currently dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, are filed with this Form 10-KSB/A as Exhibits 31.1, 31.2, and 32.

With this filing, the Company has amended the Original Filing. As such, the consolidated financial statements as of September 30, 2007, and for the fiscal years ended September 30, 2007 and 2006, the quarterly periods presented and the report of independent registered public accounting firm and related financial information contained in the Original Filing should no longer be relied upon.

The effects of the restatement as of September 30, 2007 and for the years ended September 30, 2007 and 2006 is as follows:

	Previously Reported	As Restated
<i>Balance Sheet Items:</i>		
Monitoring equipment, net of accumulated depreciation	\$ 2,787,133	\$ 3,739,474
Total assets	15,284,348	16,236,689
Deferred revenue	14,247	1,314,247
Total current liabilities	8,432,830	9,732,830
Total liabilities	8,672,593	9,972,593
Accumulated deficit	(132,749,287)	(133,096,946)
Total stockholders’ equity	1,625,527	1,277,868
Total liabilities and Stockholders’ equity	15,284,348	16,236,689
<i>Statement of Operation Items - 2007:</i>		
Revenues	8,570,540	7,270,540
Cost of revenues	8,974,174	13,881,895
Selling, general and administrative expenses	20,217,587	16,116,535

	Previously Reported	As Restated
Royalty settlement expense	1,759,010	-
Net loss	(26,022,912)	(26,370,571)
Net loss attributable to common stockholders – basic and diluted	(26,573,515)	(26,921,174)
Net loss per common share - basic and diluted	\$ (0.26)	\$ (0.26)
<i>Statement of Cashflows:</i>		
Net loss	(26,022,912)	(26,370,571)
Inventories	(12,083)	(964,424)
Deferred revenues	(3,570)	1,296,430

PART I

Item 1. Description of Business

General

RemoteMDx, Inc. (“RemoteMDx” or the “Company”), markets and sells patented wireless location technologies and related monitoring services mostly to the criminal justice system. The RemoteMDx products and monitoring services feature wireless products that utilize Global Positioning Satellite (“GPS”) and cellular technologies in conjunction with a monitoring center. The Company has developed a tracking device, TrackerPAL, which is being used to monitor convicted offenders who are on probation or parole in the criminal justice system. The Company’s technologies and services benefit the penal system by allowing law enforcement officials to respond immediately to criminal activity by convicted offenders. Law enforcement officials are able to monitor the location of offenders and parolees wearing the TrackerPAL product.

The Company has identified a growing need in the parole/probation market, which at the end of 2006 included 5,035,225 adult men and women on supervised probation or parole in the United States criminal justice system according to the U.S. Department of Justice, Bureau of Justice Statistics. In order to meet the needs of this growing demand, the Company has developed TrackerPAL, a wireless device that works in conjunction with monitoring centers to monitor the location of parolees and persons on probation or under travel restrictions as part of their sentencing.

We derive our revenues from the following sources:

- Monitoring Services – Following activation, TrackerPAL device users pay a daily fee for monitoring services provided by us through a majority owned subsidiary, SecureAlert, Inc.
- Product Sales – Although not the focus of our business model, we sell our TrackerPAL devices in certain situations. In addition, the Company sells home security and Personal Emergency Response Systems (“PERS”).
- Medical Diagnostic Stains – Through another majority owned subsidiary, we sell medical diagnostic stains and equipment to laboratories throughout the United States.

In addition to the foregoing sources, we have contractual rights to receive royalty revenues from a license agreement with Matsushita Electric Works (“MEW”) and from sales of telematic products and services under marketing agreements. (“Telematic” means any wireless communication system designed for the collection and dissemination of data.) To date, these royalty agreements have not produced any royalty income.

Our Strategy

Our goal is to establish the Company as a significant marketer and distributor of leading technologies and services we have developed for the parolee and probation market and, to a lesser extent, the health monitoring industry.

Background

We have been engaged in our original business of manufacturing and marketing medical diagnostic stains, solutions and related equipment for over 10 years. Since 1997, this business has been conducted through a subsidiary, Volu-Sol Reagents Corporation (“Volu-Sol”). Our remote health monitoring and diagnostic business is conducted under the names “Remote Medical Diagnostics” and “RemoteMDx.” In July 2001, we acquired and now operate the business conducted by SecureAlert, Inc. SecureAlert’s business involves manufacturing and marketing mobile emergency products, worn on the body, that focus on the parolee and probation market.

Our primary founders and owners are David Derrick and James Dalton, who are identified in this Report under Item 9, “Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.”

In April 2000, we entered into a research agreement with Battelle Memorial Institute (“Battelle”), a large research and development firm, to assist us in developing our technology for remote monitoring and personal medical diagnostics. Although the agreement with Battelle expired in November 2002, it resulted in the development of designs and technologies included in our current TrackerPAL product.

In July 2001, we acquired SecureAlert and added its patents and technology to our business. In October 2001, we began developing our telematic monitoring center in conjunction with Bishop Engineering (“Bishop”), an innovator in telematic and GPS technologies. By July 2002, this collaboration with Bishop culminated in the development of a monitoring center jointly operated with Aradiant Corp (“Aradiant”). When the agreement between Aradiant and the Company expired in July 2004, we moved the monitoring center from its location in the San Diego area to the Company’s headquarters in Salt Lake City. This move allows the Company to better manage and control the monitoring center and its employees. The monitoring center and its related services help us serve our customers in the criminal justice industry.

In April 2002, we entered into a manufacturing and product development agreement with MEW. This strategic alliance included an equity investment in the Company by MEW and an arrangement under which MEW was designated our preferred manufacturer, and the Company agreed to act as MEW’s preferred worldwide service provider for GPS products. During 2002 and 2003, working with MEW and another manufacturer, we successfully designed and began to market products that combine cellular technology, including our patented single-button emergency feature, and GPS, allowing the two systems to work simultaneously in a single unit. No services were performed for the Company by MEW during fiscal year 2007.

Marketing

Over the past three years, we have developed our menu of services and core technologies. We look to expand our sales of these products and services by relying on and establishing our distribution network. In fiscal year 2006, approximately 37% of our revenues were derived from the sale of these products and services. In fiscal year 2007, approximately 92% of our revenues were derived from the sale of these products and services. We expect to see this percentage increase in the future as we pursue our business plan to emphasize these services. Our primary sales effort will be focused on the parole/probation market.

Under our current business model, the majority of our customers lease our TrackerPAL devices. TrackerPAL devices are leased under a contractual arrangement (usually at least one year) which may effectively be cancelled at any time by either party with 30 days notice. We may also pay a monthly fee to distributors for each contract originated through that distributor.

According to the United States Department of Justice, Bureau of Justice Statistics, in the United States there were approximately 5 million adult men and women who were on supervised probation or parole in 2006. This number is expected to continue to grow as state budget deficits are requiring prisons to be closed, putting additional pressure on the already swelling parole and probation market. During 2006, the probation population grew by approximately 1.7% which represented an increase of 70,266 probationers.

At year-end 2006, a total of 798,202 adult men and women were on parole or mandatory conditional release following a prison term. The population grew by 17,586 parolees or 2.3% during 2006.

In 2006, there were more than 7.2 million adults in prison, in jail, or on probation or parole in the United States, with this figure growing at the rate of approximately 2.6% per year. This represents approximately 2.3% of the U.S. population or about 1 in every 32 adults.

This increase has strained the ability of parole officers and supervisors to manage the burgeoning growth in parolees. In response to this problem, RemoteMDx has created a product and service called the TrackerPAL Network (the "Network").

We believe the Network and its accompanying products that are and will be marketed and sold by RemoteMDx will create a shift in the parole/probation market. The Network strategy transforms the current market to one that provides offender monitoring products and services. The Network allows a supervisor to manage dozens of parolees simultaneously. Under the Network program, a parolee is required to wear the device 24 hours a day, 7 days a week, which allows the monitoring center to actively monitor where the parolee is located. The computer at the monitoring center automatically checks to make sure that the parolee is within inclusion areas and does not enter any exclusionary zones. At any sign of problems, the monitoring center can contact the parolee directly and, if necessary, put the parole officer in direct contact with the parolee. The parole officer can also access a secured web site that shows where the parolee is and where he has been, allowing the supervisor to better manage the parolee.

The operator can provide a multitude of services for the supervising officer. The various services offered are as follows:

- 24/7 nationwide two-way voice communication;
- Automated reporting of location and alarms;
- Inclusion and exclusion area alarms;
- Proximity alarm;
- Automated alert notification;
- Tamper resistant band and alarm;
- Battery status alerts;
- Web-based real-time tracking;
- Active monitoring; and
- Enhanced GPS/GSM location.

Research and Development Program

General Information

GPS technology utilizes highly accurate clocks on 24 satellites orbiting the earth owned and operated by the U.S. Department of Defense. These satellites are designed to transmit their identity, orbital parameters and the correct time to earthbound GPS receivers at all times. Supporting the satellites are several radar-ranging stations maintaining exact orbital parameters for each satellite and transmitting that information to the satellites for rebroadcast at frequencies between 1500 and 1600 MHz.

A GPS receiver (or engine) scans the frequency range for GPS satellite transmissions. If the receiver can detect three satellite transmissions, algorithms within the engine deduce its location, usually in terms of longitude and latitude, on the surface of the earth as well as the correct time. If the receiver can detect four or more GPS satellite transmissions, it can also deduce its own elevation above sea level. The effectiveness of GPS technology is limited by obstructions between the device and the satellites and, therefore, service can be interrupted or may not be available at all if the user is located in the lower floors of high-rise buildings or underground.

During the year ended September 30, 2007, we spent \$4,708,256 on research and development. This compares to \$2,087,802 spent on research and development for the year ended September 30, 2006. During the years ended September 30, 2007 and 2006, the Company disposed of monitoring equipment with a net book value of \$1,454,784 and \$0, respectively, that was initially used as test units that had served its useful life. This expense was classified as research and development expense.

TrackerPAL

We have worked with nexAira, Inc. ("nexAira") to develop our TrackerPAL product. nexAira is a Canadian firm that specializes in hardware and software development in the areas of GPS, GSM ("Global System for Mobile

communication”) and GPRS (“General Packet Radio Service”). It is the preferred distributor of GPS chip sets manufactured by Motorola. nexAira is recognized for its rapid development cycles and expertise in both the cellular and GPS areas.

The Company’s Offender Tracking Device (“OTD”) System required the design and development of four devices:

- Ankle electronics, a wireless body-worn tracking device;
- OTD-Cuff, a single-use, security-enabled band used to fasten the ankle electronics to the offender;
- Fixture for charging up to 2 batteries at once; and
- Rechargeable battery pack, a custom-tooled battery used to power the ankle device.

The OTD allows a monitoring center to track the location of an offender and the offender’s attempts to tamper with the device. When the device is attached to an offender’s ankle and activated, it makes use of a GPS receiver to determine the offender’s position and a cellular wireless link to communicate these coordinates to the monitoring center. The center can contact an offender whenever the device is within cellular signal reception, using the integrated cellular speakerphone. Automatic alerts can be sent to the server when the wearer travels outside a specified area or attempts to enter an “off limits” area. The OTD is water resistant to 3 meters.

The ankle strap or OTD-Cuff is a reinforced band used to secure the device to the offender. The strap is permanently fixed to the offender and requires the destruction of the strap for removal. The strap incorporates two braided steel cables that ensure the strap cannot be stretched and to make the strap highly cut resistant. An intelligent optic continuity circuit alerts the monitoring center of attempts to tamper with or remove the strap. The strap is made to be inexpensive yet strong while the optical continuity, embedded in the strap, assists in making it very difficult to circumvent and remove without detection.

Development of Monitoring Center

As we developed prior product lines, we simultaneously worked to create the SecureAlert monitoring center. In contrast with a typical monitoring center, our monitoring center is equipped with hardware and software that pinpoints the location of the incoming caller by utilizing GPS technology. This capability is referred to as telematic. The operator’s computer screen can identify the caller as well as locate the caller’s precise location on a detailed map. The Company believes the monitoring center is the cornerstone of our business; and therefore, an operator goes through extensive training to insure professional service is provided to the supervising parole officer and individuals wearing the TrackerPAL OTD device.

In order to prepare for an increase in TrackerPAL devices to be monitored, the Company is in the process of building up the monitoring center to effectively monitor these devices. In order to increase the efficiencies in the monitoring center, the Company is developing software to further expand service automation in the processing of alarms and operational events resulting in increased operator efficiency and ability to manage more devices. The automation of alarms includes pre-recorded responses to inform the offender of the alarm and to resolve the issue. If the issue is not timely resolved, an operator will become involved and take the additional necessary actions according to protocols set up by the customer. The Company anticipates one operator will be able to manage over 230 active devices after the software is fully developed.

TrackerPAL Enhancements and Revisions

During the year ended September 30, 2007, the Company discovered several problems with the TrackerPAL device. These problems involved: 1) water ingress into the device; 2) battery and charger life and functionality; 3) GPS signal strength; and 4) device becoming aesthetically damaged while removing it from an offender. The Company outlined a six-month plan to resolve these issues while maintaining operations. Implementation of the plan to resolve these issues is expected to be completed by March 31, 2008. Steps taken or underway to address the problems include the following:

- The Company has waterproofed the device by applying a chemical-based ‘weld’ around the back panel seam and augmenting the seal integrity of the rear hatch of the device thus, significantly minimizing water ingress into the device.

- The average battery operation time is approximately 14 hours. The Company has discovered the battery life can be extended if the electrical connectivity between the battery and the device is improved. Each battery has contact pins which transmit the power from the battery to the device. However, these battery pins at times become dirty, impeding transmitting the power from the battery to the device that reduces operational time. The Company is currently in the process of implementing multiple enhancements to improve the battery connectivity between the battery and the device.
- The Company has encountered irregularities with the battery chargers due to a manufacture's Integrated Circuit ("IC") chip design flaw resulting in inconsistent charger behavior. The battery charger issue can only be fully addressed by replacement of these IC chips. The Company's contract manufacturer is in the process of swapping out these battery chargers from the field, replacing the IC chip, and redeploying the charger.
- The Company has experienced cellular issues due to the GPS antenna currently used in the device. The Company is redesigning and will install a new cellular antenna that will improve coverage and enhance tracking offenders using the device.
- The current strap design of the device uses custom security screws covered by cosmetic caps. Usability improvements have been implemented for both the screws and the caps. The Company has noticed devices becoming damaged as a result of screws becoming stripped. The improvements to the attachment mechanism have dramatically reduced the likelihood to strip screws and have made the strap easier to install. The cosmetic cap improvements have made it easier for authorized personnel to remove the cap; thus, avoiding the early potential to scar outer housing of the OTD when being removed from the ankle. Enhancing the strap design with new screws will mitigate the stripping of screws and damaging of the device when it is being removed.

TrackerPAL Next Generation

The Company is in the process of developing a new OTD.

This device will include all the current functionality of the TrackerPAL device along with providing indoor tracking capabilities and drug and alcohol monitoring.

Intellectual Property

We own five patents in the United States and one patent in China. We also have five patents pending in the United States and seven pending internationally. The following tables contain information regarding our patents and patent applications; there can be no assurance given that the applications will be granted or that they will, if granted, contain all of the claims currently included.

The following table shows United States patents:

Patent Title	Application Patent Number	Filing / Issue Dates	Status Expiration Date
Emergency Phone With Single Button activation	7,251,471	7/31/07	2018
Remote Tracking and Communication Device	11/202,427	8/10/05	Issued (have not yet received the expiration date)
Remotely Controllable Thermostat	6,260,765	7/17/01	2020
Emergency Phone with Alternate Number Calling Capability	7,092,695	8/15/06	2018
Multiple Emergency Response Services Combination Emergency Phone and Personal Audio Device	6,285,867	9/4/01	2018
Alarm and Alarm Management System for Remote Tracking Devices	11/489,992	7/14/06	Pending
A Remote Tracking Device and a System and Method for Two-Way Voice Communication Between Device and a Monitoring Center	11/486,989	7/14/06	Pending
A Remote Tracking System with a Dedicated Monitoring Center	11/486,976	7/14/06	Pending
Remote Tracking System and Device with Variable Sampling	11/486,991	7/14/06	Pending
Methods for Establishing Emergency Communications Between a Communications Device and a Response Center	11/830,398	7/30/07	Pending

The following table shows international patents:

<u>Patent Title</u>	<u>Patent Number / Jurisdiction</u>	<u>Filing / Issue Dates</u>	<u>Status/Expiration Date</u>
Remote Tracking and Communication Device	PCT/US2006/030432 (Patent Cooperation Treaty)	8/4/06	Pending
Emergency Phone with Single-Button Activation	ZL 01807350.6 (China)	10/5/05	2021
Emergency Phone with Single-Button Activation	EP 01924386.4 (European Union)	3/28/01	Pending
Emergency Phone with Single-Button Activation	JP 2001-571568 (Japan)	3/28/01	Pending
Alarm and Alarm Management System for Remote Tracking Devices	PCT/US2007/072736 (Patent Cooperation Treaty)	7/3/07	Pending
A Remote Tracking Device and a System and Method for Two-Way Communication Between the Device and a Monitoring Center	PCT/US2007/072740 (Patent Cooperation Treaty)	7/3/07	Pending
A Remote Tracking System with a Dedicated Monitoring Center	PCT/US2007/072743 (Patent Cooperation Treaty)	7/3/07	Pending
Remote Tracking System and Device with Variable Sampling and Sending Capabilities Based on Environmental Factors	PCT/US2007/072746 (Patent Cooperation Treaty)	7/3/07	Pending

During the year ended September 30, 2007, the Company sold three United States patents for a total purchase price of \$2,400,000. A description of each patent sold is shown below:

<u>Patent Title</u>	<u>Application /Patent Number</u>	<u>Filing / Issue Dates</u>
Interference Structure for Emergency Response System Wristwatch	6,366,538	4/2/02
Emergency Phone for Automatically Summoning	6,226,510	5/1/01
Panic Button Phone	6,044,257	3/28/00

As of September 30, 2007, the Company had received \$1,800,000 of the purchase price for these patents; the remaining \$601,578 has been reflected as a note receivable, which includes accrued interest of \$1,578. The note was due on March 15, 2008, and bears interest at 6% per annum. Subsequent to December 31, 2007, the Company collected the remaining balance from the sale of these patents.

On December 20, 2007, the Company sold and assigned its rights under Patent Number 6,636,732, Emergency Phone with Single Button Activation, reissued October 21, 2003 for the sum of \$2,400,000. Subsequent to December 31, 2007, the Company collected the balance of the purchase price for this patent.

We also own the following trademarks:

<u>Mark</u>	<u>Application Number</u>	<u>Registration Number</u>	<u>Status/Next Action</u>
MOBILE911	75/615,118	2,437,673	Registered
MOBILE911 SIREN WITH 2-WAY VOICE COMMUNICATION & DESIGN	76/013,886	2,595,328	Registered
WHEN EVERY SECOND MATTERS	76/319,759	2,582,183	Registered
MOBILEPAL	78/514,031	3,035,577	Registered
HOMEPAL	78/514,093	3,041,055	Registered
PAL SERVICES	78/514,514	3,100,192	Registered
REMOTEMDX	78/561,796		Allowed-Awaiting Statement of Use
TRACKERPAL	78/843,035	3,345,878	Registered
MOBILE911	78/851,384	3,212,937	Registered
TRACKERPAL	CA 1,315,487		Pending
TRACKERPAL	MX 805,365	960954	Registered

Strategic Relationships

We believe one of the Company's strengths is the high quality of our strategic alliances. Our primary alliances are described below.

nexAira, Inc.

nexAira, Inc. (“nexAira”) is a Canadian firm that specializes in hardware and software development in the areas of GPS, GSM and GPRS. It is the preferred distributor of GPS chip sets manufactured by Motorola and is recognized for its rapid development cycles and expertise in both the cellular and GPS areas. nexAira performs research and development for the Company on a contractual basis. Subsequent to September 30, 2007, nexAira, Inc. changed its name to Puracon, Inc.

Spectrum Design Solutions, Inc.

Spectrum Design Solutions, Inc. (“Spectrum”) is a United States company specializing in development and design of cellular and GPS products. The Company has contracted with Spectrum to provide hardware and software development with the development of the Company’s next generation product of the TrackerPAL device.

Dynamic Source Manufacturing

Dynamic Source Manufacturing (“DSM”) located in Calgary, Alberta, Canada, is an electronics manufacturing company that delivers a full range of services to its clients. From quickturn prototyping to high volume turnkey manufacturing, DSM has the resources available to manufacture all types of printed circuit boards. DSM manufactures the Company’s TrackerPAL product.

Competition in Parolee/Probation and Diagnostic Markets

We have identified the following entities that appear to compete directly in one or more of our markets:

- ProTech Monitoring Inc., Odessa, FL – This company has satellite tracking software technology that operates in conjunction with the GPS and wireless communication networks.
- ISecuretrac Inc., Omaha, NE – This company supplies electronic monitoring equipment for tracking and monitoring persons on pretrial release, probation, parole, or work release.
- Sentinel Security and Communications, Inc., Rochester NY– This company supplies monitoring and supervision solutions for the offender population.
- Omni Link, Alpharetta, GA – This company provides a one-piece device combined with GPS and cellular networks to electronically track an individual.

The Company faces intense competition, including competition from these and possibly other entities that are more established and have greater financial resources than we do, which may make it difficult for us to establish and maintain a viable market presence.

Our current and expected markets are rapidly changing. Existing products and services and emerging products and services will compete directly with the products we are seeking to develop and market. Our technology will compete directly with other technologies, and, although we believe our technology has or will have advantages over these competing systems, there can be no assurance that our technology will have advantages that are significant enough to cause users to adopt its use. Competition is expected to increase.

Many of the companies currently in the offender tracking and diagnostic markets may have significantly greater financial resources and expertise in research and development, marketing, manufacturing, pre-clinical and clinical testing, obtaining regulatory approvals and marketing than those available to us. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large third parties. Academic institutions, governmental agencies, and public and private research organizations also conduct research, seek patent protection, and establish collaborative arrangements for product and clinical development and marketing in the medical diagnostic arena. Many of these competitors have products or techniques approved or in development and operate large well-funded research and development programs in the field. Moreover, these companies and institutions may be in the process of developing technology that could be developed more quickly or be ultimately more effective than our planned products.

The Company faces competition based on product efficacy, the timing and scope of regulatory approvals, availability of supply, marketing and sales capability, reimbursement coverage, price and patent position. There can be no assurance that its competitors will not develop more effective or more affordable products, or achieve earlier patent protection or product commercialization.

Dependence on Major Customers

During fiscal year 2007, two customers accounted for more than 10% of revenues. QuestGuard accounted for approximately 44% (\$3,229,760) of revenues and Seguridad Satelital Vehicular accounted for approximately 13% (\$928,800) of revenues. The loss of either of these customers would result in lower revenues and limit the cash available to grow our business and to achieve profitability. We have no arrangements or contracts with these customers that would require them to purchase a specific amount of product from us.

Dependence on Major Suppliers

During the year ended September 30, 2004, the Company cancelled its agreement with its former cellular provider and entered into an agreement with a new vendor. In the year ended September 30, 2006, the Company entered into several agreements with other cellular organizations to provide cellular services. The costs to the Company for these services during the fiscal years ended September 30, 2007 and 2006 were approximately \$2,592,951 and \$290,000, respectively.

The Company has established a relationship with Dynamic Source Manufacturing (DSM) to manufacture the TrackerPAL device. All monitoring equipment that has been leased or sold has been manufactured by DSM. Should the relationship between DSM and the Company cease, the Company would need to find another company to manufacture the device which could limit the ability to lease additional monitoring equipment.

Employees

As of December 14, 2007, the Company had 106 full time employees and 3 part-time employees. None of the employees are represented by a labor union or subject to a collective bargaining agreement. The Company has never experienced a work stoppage and management believes that the relations with employees are good.

Item 2. Description of Property

In March 2005, we entered into a 40-month lease for approximately \$17,600 per month, consisting of approximately 11,400 square feet of office space at 150 West Civic Center Drive, Sandy, Utah. This facility serves as our monitoring center and corporate headquarters. We moved into these facilities during the fourth fiscal quarter of 2005. The Company anticipates renewing this lease and staying at its current location.

We also have leased premises consisting of approximately 11,500 square feet of laboratory and office facilities located at 5095 West 2100 South, West Valley City, Utah. These premises also serve as the manufacturing, warehouse and shipping facilities for our subsidiary, Volu-Sol. This lease has been renewed and now expires in November 2010 with monthly base rent of \$6,600, subject to annual adjustments according to changes in the Consumer Price Index.

Management believes that these facilities are sufficient to meet our needs for the foreseeable future.

Item 3. Legal Proceedings

Onyx Consulting Group, LLC v. RemoteMDx, Inc., American Arbitration Association Case No. 13 148 Y 01000 07, in New York, New York. On or about May 3, 2007, Onyx Consulting Group, LLC (“Onyx”) initiated an arbitration proceeding against the Company with the American Arbitration Association (“AAA”). The dispute arises out of an agreement between Onyx and the Company pursuant to which Onyx agreed to provide investor relations services to the Company. On October 9, 2007, Onyx served its Statement of Claim, in which it asserted a claim for breach of contract, seeking as damages 750,000 shares of restricted RemoteMDx common stock it claims it is due under the agreement. On May 19, 2008, the Company settled this matter by issuing 325,000 restricted shares of the Company's common stock to Onyx.

SecureAlert, Inc. v. The Jaxara Group, LLC, et al., Case No. 2:06CV00098, United States District Court for the District of Utah. On February 1, 2006, SecureAlert filed a complaint for breach of contract and other claims against defendants Jaxara Group, LLC, Daniel Boice and Alexander Petty (collectively, “Jaxara”) in the United States District Court for the

District of Utah. The action arose out of contracts between SecureAlert and Jaxara for certain software programming work to be performed by Jaxara. Jaxara responded by asserting breach of contract and other counterclaims against SecureAlert. Although SecureAlert believed its claims to be meritorious, in June 2007, SecureAlert agreed to settle the action based primarily on Jaxara's limited financial ability to pay any judgment obtained in the action. SecureAlert received Jaxara's \$25,000 settlement payment in July 2007, and pursuant to the parties' stipulated request for dismissal, the Court dismissed the entire action with prejudice on August 22, 2007.

Strategic Growth International, Inc. v. RemoteMDx, Inc., Case No. 06 Civ. 3915, in the United States District Court for the Southern District of New York. On May 23, 2006, the plaintiffs' Strategic Growth International, Inc. ("SGI"), Richard E. Cooper, and Stanley S. Altschuler (collectively, the "SGI Defendants") filed a complaint against the Company. This action was filed in response to an action previously filed by the Company against SGI in Utah. The action arises out of a contract between SGI and the Company for certain investor relations services to be performed by SGI. The SGI Defendants' complaint alleges a single claim for breach of contract and seeks recovery of: 1) the balance they claim remains due under the contract (approximately \$80,000); 2) the value of options to purchase 500,000 shares of restricted RemoteMDx common stock at \$0.50 per share; and 3) the value of one million shares of restricted RemoteMDx common stock. In its answer and counterclaims, the Company denied the SGI Defendants' allegations and asserted counterclaims for: (1) breach of contract; (2) rescission; and (3) declaratory judgment. On October 29, 2007, with the approval of the court, the Company amended its answer and counterclaims to assert an additional claim against SGI for fraudulent inducement. The Company seeks rescission of its contract with SGI and the return of amounts the Company paid SGI under the contract. Discovery is ongoing and a final pretrial conference is set for January 16, 2008. The Company intends to vigorously defend itself against the SGI Defendants' claim and to prosecute its counterclaims against the SGI Defendants. The Company has not accrued any potential loss as the probability of incurring such losses is deemed remote.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters and Small Business Issuer Purchase of Equity Securities

Market Information. Our common stock is traded on the OTC Bulletin Board of the National Association of Securities Dealers, Inc., under the symbol "RMDX.OB." The following table sets forth the range of high and low bid prices of our common stock as reported on the OTC Bulletin Board of the National Association of Securities Dealers, Inc., for the periods indicated. The sales information is available online at <http://otcbb.com>.

	<u>High</u>	<u>Low</u>
<u>Fiscal Year 2006</u>		
First Quarter	\$0.90	\$0.75
Second Quarter	\$0.70	\$0.55
Third Quarter	\$1.85	\$1.56
Fourth Quarter	\$2.06	\$1.99
<u>Fiscal Year 2007</u>		
First Quarter	\$1.63	\$1.51
Second Quarter	\$1.54	\$1.40
Third Quarter	\$1.69	\$1.60
Fourth Quarter	\$2.84	\$2.40

Holder. As of December 14, 2007, there were approximately 3,300 holders of record of the common stock and approximately 130,455,291 shares of common stock outstanding. We also have 19 shares of Series A preferred stock outstanding, held by one stockholder, convertible into a minimum of approximately 7,178 shares of common stock, as well as 10,999 shares of Series B preferred stock outstanding held by six stockholders, that at present are convertible into approximately 113,783 shares of common stock. We also have granted options and warrants for the purchase of approximately 16,033,443 shares of common stock. As discussed elsewhere in this Report, we may be required to issue additional shares of common stock or preferred stock to pay accrued dividends, or to comply with anti-dilution adjustments to the conversion rights of present or former preferred stockholders.

Dividends. Since incorporation, we have not declared any cash dividends on our common stock. We do not anticipate declaring cash dividends on our common stock for the foreseeable future. The Series A Preferred Stock accrues

dividends at the rate of 10% annually, which may be paid in cash or additional shares of preferred or common stock, at our option. To date all such dividends have been paid by issuance of preferred stock, valued at \$200 per share of preferred. We are not required to pay and do not pay dividends with respect to the Series B Preferred Stock. During the years ended September 30, 2007 and 2006, the Company recorded \$550,603 and \$642,512 in stock dividends paid on Series A and C Preferred Stock, respectively.

Dilution. We have a large number of shares of common stock authorized in comparison to the number of shares issued and outstanding. The board of directors determines when and under what conditions and at what prices to issue stock. In addition, a significant number of shares of common stock are reserved for issuance upon exercise of purchase or conversion rights.

The issuance of any shares of common stock for any reason will result in dilution of the equity and voting interests of existing stockholders.

Transfer Agent and Registrar. The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, 59 Maiden Lane, Plaza Level, New York, NY 11219.

Recent Sales of Unregistered Securities

During the year ended September 30, 2007, we issued 47,205,232 shares of common stock without registration of the offer and sale of the securities under the Securities Act, as follows:

Penalty Shares Under Registration Rights Covenants

- 750,000 shares were issued in June 2007 pursuant to registration rights covenants contained in a securities purchase agreement; the Company was late in filing a registration statement covering the securities sold under the agreement to a single investor within the agreed upon time following the issuance of the shares. The 750,000 additional shares were issued as a penalty for the delay in filing the registration statement. Based on the market price of the Company's common stock on the date of issue, the Company booked an expense of \$663,000 in connection with this penalty payment. The recipient of these shares represented in the original securities purchase agreement that it was an accredited investor as defined in Rule 501 under the Securities Act. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder, including Regulation D and Rule 506. There were no non-accredited investors involved in this issuance.

Shares Issued in Connection with Line of Credit Agreement

- 500,000 shares were issued in July 2007 to ADP Management Corporation ("ADP Management"), an affiliate of the Company, as inducement for ADP Management to extend an existing line-of-credit agreement. Based on the market price of the Company's common stock on the date of issue, the Company booked an expense associated with this payment of \$800,000. See "Certain Relationships and Related Transactions and Director Independence." ADP Management is an entity owned and controlled by Messrs. Derrick and Dalton, two officers and directors of the Company. See also notes to "Summary Compensation Table" under "Item 10, Executive Compensation" at page 39 of this Report. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. Both of the principal officers and owners of ADP Management are officers and directors of RemoteMDx, and as such, were accredited investors with respect to this transaction. There were no non-accredited investors involved in this issuance of shares.

Shares Issued to Employees, Consultants and Vendors for Products and Services

- 100,000 shares valued at \$168,750 were approved for issuance to an officer of the Company as consideration for stock options the officer forfeited at the request of the Company during 2006. The shares have not been delivered to the officer and consequently, the officer cannot currently vote, sell, or assign the shares. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. The recipient of the shares was an officer of the Company at the time of the issuance; as such, he was an accredited

investor with respect to these shares. There were no non-accredited investors involved in this issuance of shares.

- 494,333 shares valued at \$886,479 were issued from October 2006 to July 2007 to eight unaffiliated consultants for consulting services provided to the Company. These consulting services consisted of services from sales and marketing introductions and related services, public relations and investor relation services. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. In each case, the shares were issued pursuant to privately negotiated transactions with entities who had provided service to the Company; there was no public offering of securities; no general solicitation or general advertising was made or done in connection with the issuances; and the shares were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates.
- 425,000 shares valued at \$777,750 were issued in April 2007 for public relations services. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. These shares were issued pursuant to a privately negotiated transaction to an entity which had provided services to the Company. There was no public offering of securities. Additionally, no general solicitation or general advertising was made or done in connection with the issuance, and the shares were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates. Subsequently, the Company registered the resale of 125,000 of these shares in a registration statement filed with the SEC, which was declared effective September 19, 2007.
- 60,000 shares valued at \$109,800 were issued in April 2007 to a company for product design services. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. These shares were issued pursuant to a privately negotiated transaction to an entity that had an existing relationship with the Company and which had provided services to the Company. There was no public offering of securities. Moreover, no general solicitation or general advertising was made or done in connection with the issuance, and the shares were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates. Subsequently, the Company registered the resale of these shares in a registration statement filed with the SEC, which was declared effective September 19, 2007.

Shares Issued in Settlement

- 88,520 shares valued at \$131,010 were issued in July 2007 to Futuristic Medical Devices, LLC (“Futuristic”) to settle amounts owed as royalties due on previously performed monitoring services. In addition, we issued 1,100,000 shares to Futuristic valued at \$1,628,000 to terminate the Company’s obligation to pay royalties with respect to future monitoring revenue on units sold or distributed by Futuristic on behalf of the Company. The Company has no continuing obligation to Futuristic under the terminated agreement. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. These shares were issued pursuant to a privately negotiated transaction in settlement of amounts owed or that may be owed as royalty payments, and there was no public offering of securities. Futuristic is an accredited investor. No general solicitation or general advertising was made or done in connection with the issuance of the shares, and the shares were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates. Subsequently, the Company registered the resale of these shares in a registration statement filed with the SEC, which was declared effective September 19, 2007.
- 600,000 shares valued at \$888,000 were issued in July 2007 to PFK Development Group, Ltd. (“PFK”) to settle amounts owed on past and future royalties. The Company has no continuing obligation to PFK under the terminated consulting agreement. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. PFK is an accredited investor. These shares were issued pursuant to a privately negotiated settlement of an obligation of the Company. In this transaction, there was no public offering of securities; no general solicitation or general advertising was made or done in connection with the issuance; and the shares were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates.

- On February 2, 2007, the Company issued 160,000 shares to HGR Enterprises, LLC (“HGR”) valued at \$196,800, in connection with the settlement of a lawsuit between HGR and Michael Sibbett on the one hand, and the Company and SecureAlert, Inc., on the other hand, and agreed to register the resale of those shares by HGR. We also issued 40,000 shares valued at \$51,600 to Liberty Capital, LLC for services in connection with settling the lawsuit. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. These shares were issued pursuant to a privately negotiated transaction in settlement of litigation. There was no public offering of these securities, and no general solicitation or general advertising was made or done in connection with the issuance. The shares were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates. Subsequently, the Company registered the resale of these shares in a registration statement filed with the SEC, which was declared effective September 19, 2007.

Shares Issued Upon the Conversion of Preferred Stock

- 6,694,329 shares of common stock were issued upon conversion of the Company’s Series A Preferred stock from October 2006 through September 2007. Each share of Series A Preferred stock may be converted at the holder’s option at any time into 370 shares of common stock. These shares of common stock were issued without registration under the Securities Act in reliance on Sections 3(a)(9) and 4(2) of the Securities Act and the rules and regulations promulgated thereunder. The shares of common stock were issued to individuals who were already security holders of the Company and were issued pursuant to the terms of the rights and preferences of the preferred class of securities being converted. These shares were issued pursuant to a privately negotiated transaction. There was no public offering of securities, and no general solicitation or general advertising was made or done in connection with the issuances. No cash consideration was paid in connection with the conversion of the preferred stock.
- 351,824 shares of common stock were issued upon conversion of the Company’s Series B Preferred stock in November and December 2006. Each share of Series B Preferred stock is convertible at any time into shares of common stock. The number of shares of common stock into which each share of Series B Preferred stock may be converted is determined by dividing the original purchase price paid per share of Series B Preferred stock, namely \$3.00, by the conversion price. These shares of common stock were issued without registration under the Securities Act in reliance on Sections 3(a)(9) and 4(2) of the Securities Act and the rules and regulations promulgated thereunder. The recipients of the common shares were accredited investors and were already security holders of the Company. The common shares were issued pursuant to the terms of the rights and preferences of the preferred class of securities that were converted, and there was no public offering of securities. Additionally, no general solicitation or general advertising was made or done in connection with the issuances, and no cash consideration was paid in connection with the conversion of the preferred stock.
- 17,293,463 shares of common stock were issued upon conversion of the Company’s Series C Preferred stock from January through March 2007. The holders of the Series C Preferred stock converted those shares at a conversion rate of \$1.68 per common share issued in the conversion. These shares of common stock were issued without registration under the Securities Act in reliance on Sections 3(a)(9) and 4(2) of the Securities Act and the rules and regulations promulgated thereunder. The shares of common stock were issued to individuals who were already security holders of the Company. These shares were issued pursuant to privately negotiated transactions. There was no public offering of securities, no general solicitation or general advertising was made or done in connection with the issuances, and no consideration was paid in connection with the conversion of the preferred stock.

Shares Issued in Private Placements

- In November 2006 and March 2007, 3,081,000 shares were issued for \$6,162,000 in cash in a private placement of common stock and 7,189,000 common stock purchase warrants to five accredited investors who had previously invested in the Company. Each investor paid \$2.00 per share and received warrants to purchase common stock at an exercise price of \$2.00 per share for five years. Shares issued in this offering, including shares issuable upon the future exercise of warrants included in the offering were subject to registration rights. A registration statement covering 3,000,000 such shares and 7,000,000 shares issuable under the warrants was subsequently filed by the Company and declared effective by the

Securities and Exchange Commission on September 19, 2007. The initial issuance of the shares of common stock and the warrants were done without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. Each investor signed a purchase agreement in which the investor made representations to the Company that included being an accredited investor, and purchasing for the investor's own account and not with a view to distribute the shares. These shares were issued pursuant to privately negotiated transactions. There was no public offering of securities. No general solicitation or general advertising was made or done in connection with the issuance, and the shares and warrants were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates.

Shares Issued Upon Exercise of Warrants

- 15,466,763 shares were issued upon the exercise of warrants between December 2006 and September 2007. The exercise prices ranged from \$0.40 to \$1.85 per share. The warrants had been granted in connection with services rendered to the Company. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. These shares were issued pursuant to privately negotiated transactions with individuals and entities that had provided services to the Company. There was no public offering of securities in connection with these issuances. Additionally, no general solicitation or general advertising was made or done in connection with the issuance, and the shares issued upon exercise of the warrants were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates. Subsequently, the Company registered the resale of 2,767,043 of the shares in a registration statement filed with the SEC, which was declared effective September 19, 2007.

In addition to the information provided above, the Company notes that the recipients of the shares in the above transactions were current stockholders, affiliates, employees, or service providers to the Company. Each had a pre-existing relationship with the Company, was provided with the information available in the Company's public filings and, where indicated, represented itself to be an accredited investor. The transactions described above did not involve any public solicitation or similar activity by the Company and each transaction was a private transaction in which the recipient was advised that the shares issued were restricted shares, not freely transferable, and subject to the restrictions against resale of federal and applicable state securities laws. The certificates issued representing the shares in each case contained a restrictive legend, advising that the resale of the securities was subject to registration under the Securities Act or an exemption from the registration provisions of such act. In entering into these transactions the Company relied on exemptions available for offers and sales of securities not involving a public offering, including, without limitation, the exemptions from the registration requirements provided under Section 4(2) of the Securities Act and rules and regulations promulgated thereunder.

Subsequent to September 30, 2007, the Company entered into the following transactions involving the issuance of securities without registration under the Securities Act:

- 2,854,453 shares of common stock were issued upon the exercise of previously granted and outstanding stock options providing \$2,800,700 in cash to the Company. The options were exercised in October and November 2007. The exercise prices ranged from \$0.54 to \$1.73 per share. The options were granted to employees, officers, and directors of the Company pursuant to plans approved by the stockholders.
- 175,753 shares of common stock were issued for SecureAlert Series A Preferred stock.
- 15,000 shares of common stock were issued in October 2007 upon the conversion of RemoteMDx Series B Preferred stock by an accredited investor. These shares of common stock were issued without registration under the Securities Act in reliance on Sections 3(a)(9) and 4(2) of the Securities Act and the rules and regulations promulgated thereunder. The shares of common stock were issued to an individual who was already a security holder of the Company. These shares were issued pursuant to a privately negotiated transaction. Additionally, there was no public offering of securities, no general solicitation or general advertising was made or done in connection with the issuances, and no consideration was paid in connection with the conversion of the preferred stock.
- 70,000 shares of common stock were issued for services rendered valued at \$480,700.

- Effective December 1, 2007, the Company entered into a purchase agreement to acquire 51% of the issued and outstanding capital stock of Midwest Monitoring & Surveillance, Inc. (“MM&S”) with, at the Company’s option, the right to acquire the remaining 49% of MM&S capital stock. The consideration for the initial purchase of 51% of the outstanding MM&S shares, which gave control of MM&S to the Company, was \$3,400,000, consisting of \$1,800,000 in notes payable and the balance through the issuance of 438,000 shares of the Company’s common stock. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. The shares were issued in connection with a privately negotiated transaction with an entity of which the Company was acquiring a controlling interest. There was no public offering of securities. Additionally, no general solicitation or general advertising was made or done in connection with the issuance of these shares, and the shares were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates.
- Effective December 1, 2007, the Company entered into a purchase agreement to acquire 51% of the issued and outstanding capital stock of Court Programs, Inc., Court Programs of Northern Florida, Inc., and Court Programs of Florida (collectively, “Court Programs”) with, at the Company’s option, the right to acquire the remaining 49% of Court Programs capital stock. The consideration for the initial purchase of 51% of the outstanding Court Programs shares, which gave control of Court Programs to the Company, was \$1,145,500, consisting of \$300,000 in a note payable and the balance through the issuance of 212,000 shares of the Company’s common stock. These shares of common stock were issued without registration under the Securities Act in reliance on Section 4(2) of the Securities Act and the rules and regulations promulgated thereunder. The shares were issued in connection with a privately negotiated transaction with an entity of which the Company was acquiring a controlling interest. There was no public offering of securities. Additionally, no general solicitation or general advertising was made or done in connection with the issuance of these shares, and the shares were issued in paper certificate form, with appropriate restrictive legends prominently affixed on the certificates.

In addition to the information provided above, the Company notes that the recipients of the shares in the above transactions were current stockholders, affiliates, employees, or service providers to the Company. Each had a pre-existing relationship with the Company, was provided with the information available in the Company’s public filings and, where indicated, represented itself to be an accredited investor. The transactions described above did not involve any public solicitation or similar activity by the Company and each transaction was a private transaction in which the recipient was advised that the shares issued were restricted shares, not freely transferable, and subject to the restrictions against resale of federal and applicable state securities laws. The certificates issued representing the shares in each case contained a restrictive legend, advising that the resale of the securities was subject to registration under the Securities Act or an exemption from the registration provisions of such act. In entering into these transactions the Company relied on exemptions available for offers and sales of securities not involving a public offering, including, without limitation, the exemptions from the registration requirements provided under Section 4(2) of the Securities Act and rules and regulations promulgated thereunder, including, without limitation Regulation D.

Item 6. Management's Discussion and Analysis or Plan of Operation

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this Report.

THIS REPORT ON FORM 10-KSB CONTAINS, IN ADDITION TO HISTORICAL INFORMATION, FORWARD-LOOKING STATEMENTS THAT INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES. ALL FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE DEEMED BY REMOTEMDX TO BE COVERED BY AND TO QUALIFY FOR THE SAFE HARBOR PROTECTION PROVIDED BY SECTION 21E OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THE RESULTS ANTICIPATED BY REMOTEMDX AND DISCUSSED IN THE FORWARD-LOOKING STATEMENTS. WHEN USED IN THIS REPORT, WORDS SUCH AS “BELIEVES,” “EXPECTS,” “INTENDS,” “PLANS,” “ANTICIPATES,” “ESTIMATES,” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, ALTHOUGH THERE MAY BE CERTAIN FORWARD-LOOKING STATEMENTS NOT ACCOMPANIED BY SUCH EXPRESSIONS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES ARE

DISCUSSED BELOW IN THE SECTION ENTITLED “INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS” AND UNDER THE HEADING “CERTAIN SIGNIFICANT RISK FACTORS” BELOW. THE COMPANY DISCLAIMS ANY OBLIGATION OR INTENTION TO UPDATE ANY FORWARD-LOOKING STATEMENT.

Introduction

The following Management’s Discussion and Analysis or Plan of Operation (“MD&A”) is intended to help the reader better understand RemoteMDx, our operations and our present business environment. This MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements for the fiscal year ended September 30, 2007 and the accompanying notes thereto contained in Item 7 of this Report. This introduction summarizes MD&A, which includes the following sections:

- Overview - a general description of our business and the markets in which we operate; our objectives; our areas of focus; and challenges and risks of our business.
- Recent Developments – a brief description of business developments occurring after the year ended September 30, 2007 and prior to the filing of this Report.
- Results of Operations - an analysis of our Company’s consolidated results of operations for the last two fiscal years presented in our consolidated financial statements. Except to the extent that differences among our operating segments are material to an understanding of our business as a whole, we present the discussion in the MD&A on a consolidated basis.
- Liquidity and Capital Resources - an analysis of cash flows; off-balance sheet arrangements and aggregate contractual obligations; an overview of financial position; and the impact of inflation and changing prices.
- Critical Accounting Policies - a discussion of accounting policies that require critical judgments and estimates.

We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The discussion also provides information about the financial results of the two segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of the Company as a whole.

Overview

We market and sell patented wireless location technologies and related monitoring services, and develop, market, and sell security and monitoring services. The RemoteMDx products and monitoring services feature wireless products that utilize GPS and cellular technologies in conjunction with a monitoring center. We have developed a tracking device, TrackerPAL, which is used to monitor convicted offenders in the criminal justice system. We believe that our technologies and services will benefit the penal system as they allow law enforcement officials to respond immediately to potential criminal activity by persons on parole or probation or under house arrest or similar supervised release programs. Law enforcement officials are able to use our services to monitor the location of offenders and parolees wearing the TrackerPAL product 24 hours a day, 7 days a week.

TrackerPAL – The TrackerPAL™ is designed for federal, state and local agencies to provide location tracking of select individuals in the criminal justice system. The TrackerPAL fastens to the offender's ankle and can only be adjusted or removed without detection by a supervising officer through services provided by SecureAlert's PAL Monitoring Center (or other monitoring centers). The Company’s center acts as an important link between the offender and the supervising officer as PAL Operators constantly track and monitor the offender and initiate contact when the offender is in violation of any established restrictions. Constructed from plastic, the TrackerPAL notifies the PAL Operator if any attempt is made to remove or otherwise tamper with the device. The key features of the TrackerPAL are discussed in “Description of Business” on page 2 of this Report.

As of the date of this Report, according to a Bureau of Justice Statistics survey, it was estimated that 3.2% of the U.S. population, or approximately 6,900,000 people, are either incarcerated or on parole. The average cost of incarcerating an inmate is \$65 per day. Because state and federal budgets are under great strain, alternatives to incarceration are

seriously being considered by the judicial system. For less than 10% of the cost of incarceration, our TrackerPAL monitoring center and patented devices can monitor continuously and in real time the location of parolees.

In December 2006, during the first quarter of the year ended September 30, 2007, production units of the TrackerPAL became available and were introduced to the market. Prior to that time, we had received expressions of interest from certain government entities and potential customers. However, once we had products available to lease or sell, we were able to more aggressively market the products and to learn more about additional potential market opportunities. During the year ended September 30, 2007, it became clear that while the market for parolee and offender tracking devices is large, it is a difficult market to penetrate for several reasons. First, because tracking devices such as our TrackerPAL are still relatively new, many of the police, sheriff, and other government agencies do not yet have funds budgeted for this approach to offender tracking. Additionally, many governmental entities are required to consider RFPs, or Requests for Proposals, from entities who wish to enter into business arrangements with such governmental entities. Moreover, many of these governmental entities are slow to embrace new technologies. Local and regional political issues, in which we likely are not involved, may also play a role in entering into contracts with such agencies. In light of these and other factors, although we believe that the potential market for our products is large and continues to grow, we recognize that it will take time and effort for us to achieve the degree of market penetration we desire and believe possible.

Nevertheless, management believes that this market presents good opportunities for growth. During 2007, we were able to obtain contracts with more than 300 agencies throughout the United States. We believe that these contracts will benefit us in several ways. First, we gain valuable experience in day-to-day operations and business dealings with these entities. Moreover, we can use these agencies to show potential business contacts that we have a growing depth of experience in the industry, with proven results. Additionally, we are able to review how our devices function in a wide variety of circumstances, which helps with our research and development in producing upgraded units and features where necessary or desired.

During fiscal 2007, in response to these market features, we restructured our sales force by introducing 16 highly trained territory account managers, placed throughout the United States, to follow-up on contacts and to market and sell our products and services. The efforts of this expanded sales force have helped us focus our sales and draw on successes and experience from other regions. Additionally, our sales force has been successful in identifying new market opportunities, agencies/customers, and RFP opportunities, where we can devote energy to obtain new customers and business opportunities.

Additionally, our business plan anticipates growth through monitoring revenues and acquisitions. To manage the planned growth, we will require capital, and there is no assurance we will be successful in obtaining necessary additional funding. To be successful in implementing our business plan, we may need to raise additional capital to manage our anticipated growth. Our actual capital requirements likely will depend on many factors, including but not limited to, the costs and timing of our ongoing development activities; the success of our development efforts; the cost and timing of establishing or expanding our sales, marketing and manufacturing activities; the extent to which our products gain market acceptance; our ability to establish and maintain collaborative relationships; competing technological and market developments; the progress of our commercialization efforts and the commercialization efforts of our marketing alliances; the costs involved in preparing, filing, prosecuting, maintaining and enforcing and defending patent claims and other intellectual property rights; developments related to regulatory issues; the market price of our common stock; and other factors outside our control. To satisfy our capital requirements, we may seek to raise funds through public or private financings, collaborative relationships or other arrangements. Any arrangement that includes the issuance of equity securities or securities convertible into our equity securities may be dilutive to stockholders, and debt financing, if available, may involve significant restrictive covenants that limit our ability to raise capital in other transactions. Collaborative arrangements, if necessary to raise additional funds, may require that we relinquish or encumber our rights to certain of our technologies, products or marketing territories. Any inability or failure to raise capital when needed could also have a material adverse effect on our business, financial condition and results of operations.

We completed two acquisitions subsequent to September 30, 2007, which we believe will enable us to increase our revenues in target markets. (See "Recent Developments," below.) Although acquisitions require the commitment of capital, both to consummate the acquisition as well as to integrate the acquired businesses, we believe that we will be able to integrate these entities and increase our revenues, although there can be no guarantee that revenues will increase as projected or anticipated. As of the date of this Report, we did not have any additional acquisitions planned, although we continue to be open to exploring such opportunities.

The assimilation of these acquired entities is subject to uncertainties and risks. There can be no assurance that we will successfully integrate these companies into our operations without incurring significant unanticipated costs or experiencing unexpected operational problems. Some of the potential risks include:

- Management of expanded inventory base
- Control of operations that are more geographically diverse than our prior operations.
- Collection of added customer accounts.
- The need to secure additional operating and working capital.
- The ability to reduce overhead costs and streamline operations.
- Potential conflicts arising from the distribution of products or services from providers who are or may be competitors of the Company.
- Availability of trained support personnel.

In summary, during the year ended September 30, 2007, we were able to sell or lease more than 10,424 devices into the market, which has helped us to establish a recurring revenue base. We have worked to build our sales force and to identify new markets and opportunities. We have entered into monitoring agreements with more than 300 law enforcement agencies throughout the United States. We subsequently acquired two businesses to further our efforts to increase our revenues and market development. Although there can be no guarantee that we will be able to continue these efforts or be able to implement our business plan as anticipated, management believes that the Company is in a good position to move forward and continue the growth of the business and to take advantage of the market opportunities open to the Company.

Recent Developments

Following September 30, 2007, we entered into several material transactions that are not reflected in the results of operations for fiscal year 2007. These included the following:

- The sale of one patent for total consideration of \$2,400,000; payment in full was received in January 2008.
- The acquisition of 51% of the issued and outstanding capital stock of MM&S, together with the option, exercisable after January 1, 2009, and prior to March 31, 2009, to acquire the remaining 49% of MM&S capital stock. The consideration for the initial purchase of 51% of the outstanding MM&S shares was \$3,468,780, consisting of \$1,800,000 of cash and 438,000 shares of the Company's common stock (valued at \$3.81 per share, the quoted market value on the date of the transaction). The RemoteMDx shares to be issued as part of the consideration for the MM&S shares were placed in escrow, and were subsequently released by the Company in March 2008. See, "Recent Sales of Unregistered Securities" beginning on page 13, above.
- The acquisition of Court Programs for \$1,147,500, payable by delivery of a note payable of \$300,000 and 212,000 shares of the Company's common stock. We also acquired an option to purchase the remaining outstanding shares of Court Programs on or before March 1, 2009. See, "Recent Sales of Unregistered Securities" beginning on page 13, above.
- RemoteMDx sold certain shares of common stock of Volu-Sol. In addition, Volu-Sol issued shares of its common stock for cash and for services. These transactions reduced RemoteMDx's direct ownership in Volu-Sol to less than 50%. The following table sets forth the beneficial ownership interest of RemoteMDx in Volu-Sol, as of the dates indicated:

<u>RemoteMDx Beneficial Ownership of Volu-Sol Reagents Corporation</u>					
<u>As of Period Ended</u>	<u>Direct Ownership</u>	<u>Voting Control</u>	<u>Total Direct Ownership and Voting Control</u>	<u>Total Shares Issued and Outstanding</u>	<u>Percentage Beneficially Owned by RemoteMDx</u>
September 30, 2007	5,833,333	0	5,833,333	11,170,833	52.2%
December 31, 2007	5,833,333	2,562,500 ¹	8,395,833	16,520,833	50.8%
March 31, 2008	2,833,333	5,562,500 ²	8,395,833	17,965,277	46.7%

¹ RemoteMDx retains voting control over these shares through an irrevocable proxy granted by the holders of record, who include directors, officers, and affiliates of the Company.

² RemoteMDx retains voting control by irrevocable proxy granted by the holders identified in note 1, above, as well as Futuristic (3,000,000 shares).

Summary Financial Information

The following table summarizes our results of operations for the most recent two fiscal years.

	Year Ended September 30,	
	2007	2006
Revenues	\$ 7,270,540	\$ 1,070,141
Cost of revenues	13,881,895	940,132
Gross profit (loss)	(6,611,355)	130,009
Research and development expenses	4,708,256	2,087,802
Selling, general and administrative expenses	16,116,535	16,025,373
Loss from operations	(27,436,146)	(17,983,166)
Other income (expense):		
Gain on sale of intellectual property	2,400,000	-
Derivative valuation gain (loss)	-	629,308
Loss on revalued registration rights	(663,000)	-
Loss on sale of asset	(228,800)	-
Minority interest allocation	153,772	-
Interest and other income	602,176	97,190
Interest expense	(1,198,573)	(6,541,077)
Net loss	(26,370,571)	(23,797,745)

Fiscal Year Ended September 30, 2007 Compared to Fiscal Year Ended September 30, 2006

Results of Operations

Revenues

During the fiscal year ended September 30, 2007, the Company had net revenues of \$7,270,540 compared to net revenues of \$1,070,141 for the fiscal year ended September 30, 2006, an increase of \$6,200,399. This increase is due primarily to increased revenues from the sale or lease of our TrackerPAL products and related monitoring services. The first units were delivered during the first quarter of fiscal year 2007. During the year ended September 30, 2007, our SecureAlert subsidiary provided net revenues of \$6,615,209 compared to net revenues of \$391,600 for the year ended September 30, 2006, an increase of approximately 1,589%. These revenues consisted of \$1,533,100 from the sale of offender tracking devices, \$5,021,268 from monitoring services, and \$60,841 from home and personal security systems. Net revenues from Volu-Sol for the fiscal year ended September 30, 2007, were \$655,331 compared to \$678,541 in fiscal year 2006, a decrease of approximately 3%. This decrease is due primarily to lower revenue from hematology product sales.

During the year ended September 30, 2007, the Company delivered TrackerPAL devices to distributors with a sales value of \$1,300,000 that did not meet the requirements of EITF 00-21 and SAB 104 for revenue recognition. This revenue has been deferred and will be recognized in future periods.

Cost of Revenues

During the fiscal year ended September 30, 2007, cost of revenues totaled \$13,881,895, compared to cost of revenues in fiscal 2006 of \$940,132. This increase is due primarily to the increase in revenues of TrackerPAL, which revenues commenced in the first quarter of fiscal year 2007. SecureAlert's cost of revenues totaled \$13,396,163, or 203%, of its revenues in 2007, compared to \$569,664, or 145%, for fiscal 2006. SecureAlert's cost of revenues consisted of device costs of \$2,957,787, monitoring center costs of \$1,782,490, communication costs of \$3,088,283, disposal of units of \$472,132, commissions of \$262,655, device enhancements of \$194,704, home security and PERS costs of \$139,162, royalty settlement expense of \$2,767,010, amortization of \$1,286,401, accessories of \$80,904, and location and other costs of \$364,635. The disposal of units with a cost of \$472,132 relates primarily to the water ingress and strap design problems experienced by the Company. Reagents' cost of revenues totaled \$485,732 in fiscal 2007, compared to \$370,468 for the year ended September 30, 2006, an increase of \$115,264, or 31%, from the prior fiscal year.

As indicated above, \$1,300,000 of device deliveries did not meet the requirements of EITF 00-21 and SAB104 for revenue recognition. The corresponding cost of revenues is \$952,341. These costs will be recognized in future periods.

The Company had entered into two agreements requiring it to pay royalties on devices in service with customers. During the year ended September 30, 2007, the Company terminated these agreements and settled past and future royalty obligations with these two entities for 1,788,520 shares of common stock valued at \$2,647,010 and \$120,000 in cash, for total consideration of \$2,767,010. The terms of each agreement and the termination thereof are discussed below.

Futuristic Medical Devices, LLC (“Futuristic”). On January 8, 2007, the Company entered into an agreement with Futuristic under which the Company agreed to pay a royalty of \$0.057 per day for each device in service with a customer through June 30, 2009. On July 18, 2007, the Company and Futuristic terminated the agreement and settled all obligations. In consideration of the termination of the agreement, the Company issued to Futuristic a total of 1,188,520 shares of common stock valued at \$1,759,010, or \$1.48 per share (based on the quoted market price of the Company’s common stock on that date). Of the 1,188,520 shares of common stock issued, 88,520 were issued to settle royalty obligations incurred by the Company through July 18, 2007. The remaining 1,100,000 shares of common stock were issued to settle future royalty obligations that may be owed by the Company.

PFK Development Group, Ltd. (“PFK”). On February 1, 2006, the Company entered into a consulting agreement with PFK under which the Company agreed to pay a royalty of \$0.10 per day for each device in service with a customer that PFK introduced to the Company through January 31, 2009. On July 18, 2007, the Company and PFK terminated the agreement and settled all obligations thereunder. The Company issued 600,000 shares of common stock valued at \$888,000, or \$1.48 per share (based on the quoted market price of the Company’s common stock on that date) and \$120,000 in cash.

During the year ended September 30, 2007, we incurred amortization expense of \$826,425 and communication expense of \$2,266,627 for non-billable units. A non-billable unit is a TrackerPAL device that did not generate any revenue for the period. We have recorded these expenses as cost of revenues because the non-billable units do not directly meet the definition of research and development assets, they are not promotional assets, and they are not used by the Company for internal purposes. Amortization is based on a three-year useful life for TrackerPAL devices. Devices that are leased or remain in the Company’s possession because they have not been sold are amortized over three years. The Company believes this three-year life is appropriate due to rapid changes in electronic monitoring technology and the corresponding potential for obsolescence. Management periodically assesses the useful life of the devices for appropriateness.

Communication costs refer to the costs associated with Subscriber Identity Modules (“SIM”). Embedded in each TrackerPAL device is a SIM, which enables the device to transfer voice and data information to a monitoring center. We incur a monthly charge for each SIM, regardless of whether or not the associated device generates revenue because the SIM cards are ordered and inserted into devices before the devices are sold or leased.

Research and Development Expenses

During the fiscal year ended September 30, 2007, the Company incurred research and development expenses of \$4,708,256 compared to similar expenses in 2006 totaling \$2,087,802. This increase is due primarily to expenses associated with the development of the TrackerPAL device for the parolee market. In addition, research and development expenses for the year ended September 30, 2007 include \$1,454,784 in monitoring equipment disposed of that was initially used as test units and had served its useful life. The Company does not expect to dispose of a significant number of test units in the future. We expect research and development expenses to continue in the future due to ongoing research and development related to our TrackerPAL device and accessories.

Selling, General and Administrative Expenses

During the fiscal year ended September 30, 2007, the Company’s selling, general and administrative expenses totaled \$16,116,535, compared to \$16,025,373 for the fiscal year ended September 30, 2006. This increase of \$91,162 is the result of an increase in bad debt expense of \$319,758, board of directors fees paid in shares of common stock valued at \$110,000, depreciation of \$355,568, insurance of \$363,142, equipment lease expense of \$156,439, payroll and payroll taxes of \$1,337,032, rent of \$85,671, telephone of \$139,805, training of \$71,161, travel of \$592,058, and other selling, general and administrative expenses of \$481,730. These increases in selling, general and administrative expenses were

offset, in part, by decreases in the following: consulting expense of \$3,192,896, investment relations and banking fees of \$411,934, legal fees of \$114,538, and other selling, general and administrative expenses of \$201,834. Selling, general and administrative expenses of \$16,116,535 for the year ended September 30, 2007 included \$8,074,126 of non-cash expense primarily related to the issuance of warrants and shares to consultants for services provided to the Company.

Gain on Sale of Intellectual Property

During the fiscal year ended September 30, 2007, the Company sold three patents for a total of \$2,400,000. The patents are as follows: Interference Structure for Emergency Response System Wristwatch (No. 6,366,538 issued on April 2, 2002), Emergency Phone for Automatically Summoning (No. 6,226,510 issued on May 1, 2001), and Panic Button Phone (No. 6,044,257 issued on March 28, 2000).

Other Income and Expense

For the fiscal year ended September 30, 2007, interest expense was \$1,198,573, compared to \$6,541,077 for fiscal year 2006. The \$1,198,573 includes non-cash interest expense of approximately \$396,019 related to amortization of deferred financing costs associated with warrants and shares of common stock issued for prepaid interest.

Net Loss

The Company had a net loss for the year ended September 30, 2007, totaling \$26,370,571, compared to a net loss of \$23,797,745 for fiscal year 2006. This increase is due primarily to expenses associated with the development of the TrackerPAL device for parolees, and related increases in cost of revenues, selling, general and administrative expenses, and interest expense.

Liquidity and Capital Resources

September 30, 2007

The Company has not historically financed operations entirely from cash flows from operating activities. During the year ended September 30, 2007, the Company funded its operating and investing activities through the sale of equity securities and the exercise of options and warrants, which provided approximately \$18,100,000 in cash to the Company.

See "Recent Sales of Unregistered Securities," on page 12 of this Report. The cash provided by these transactions was used by the Company to (i) pay operating expenses, including the costs associated with its monitoring center, (ii) purchase TrackerPAL devices, (iii) pay down debt and accounts payable, including amounts owed on a line of credit and bank debt, and (iv) pay general and administrative expenses, including the salaries of employees, officers, and consultants of the Company and other expenses as described below.

At September 30, 2007, the Company had unrestricted cash of \$5,556,275, compared to unrestricted cash of \$5,872,529 at September 30, 2006. At September 30, 2007, the Company had working capital of \$1,296,985, compared to working capital of \$2,410,471 at September 30, 2006. The decrease in working capital primarily resulted from the increase in our accounts payable balance at September 30, 2007.

During fiscal year 2007, the Company's operating activities used cash of \$14,172,509, compared to \$11,397,627 of cash used in 2006. The increase in cash used in operating activities during fiscal year 2007 was primarily due to the increase in communication costs of \$2,719,343, and the increase in payroll and payroll taxes of \$1,337,032.

Investing activities for the year ended September 30, 2007, used cash of \$4,257,390, compared to \$3,333,983 of cash used by investing activities in the year ended September 30, 2006. The increase in cash used during fiscal year 2007 resulted primarily from the increase in purchases of monitoring equipment. The Company purchased \$3,684,216 and \$2,241,800 of monitoring equipment during the years ended September 30, 2007 and 2006, respectively. In addition, the Company purchased \$573,174 and \$1,093,690 of property and equipment during the years ended September 30, 2007 and 2006, respectively.

Financing activities for the year ended September 30, 2007, provided \$18,113,645 of net cash compared to \$20,188,103 of net cash for the year ended September 30, 2006.

The Company made net payments of \$503,310 on a related-party line of credit and made dividend payments on SecureAlert Series A of \$28,452. Subsequent to September 30, 2007, the Company issued 175,753 shares of common

stock for payment of dividends on the SecureAlert Series A Preferred stock accrued from January to June 2007. The Company made payments of \$366,126 on long and short-term notes payable during the year ended September 30, 2007.

In fiscal year 2007, the Company had proceeds from the issuance of the Company's common stock of \$6,162,000 and \$1,550,000 from the issuance of Volu-Sol common stock. In addition, the Company received \$328,000 from the issuance of debt and \$10,971,533 from the exercise of options and warrants. We used the cash from these transactions to fund operating activities and purchase monitoring equipment.

During fiscal year 2007, the Company incurred a net loss of \$26,370,571 and negative cash flows from operating activities of \$14,172,509, compared to a net loss of \$23,797,745 and negative cash flows from operating activities of \$11,397,627 for the year ended September 30, 2006. As of September 30, 2007, the Company's working capital was \$1,296,985 and the Company had stockholders' equity of \$1,277,868 and an accumulated deficit of \$133,096,946.

Going Concern

The factors described above, as well as the risk factors set out elsewhere in this Report raise substantial doubt about the Company's ability to continue as a going concern. The financial statements included in this Report do not include any adjustments that might result from the outcome of this uncertainty. Our plan with respect to this uncertainty is to focus on increasing the leasing of the TrackerPAL product. There can be no assurance that revenues will increase rapidly enough to offset operating losses and repay debts. Likewise, there can be no assurance that the Company's debt holders will be willing to convert the debt obligations to equity securities or that the Company will be successful in raising additional capital from the sale of equity or debt securities. If the Company is unable to increase cash flows from operating activities or obtain additional financing, it will be unable to continue the development of its products and would likely cease operations.

The following chart includes principal balances and interest rates applicable to borrowings (net of any applicable debt discounts) as of September 30, 2007. See Note 17 of the financial statements for a complete discussion of financing transactions subsequent to September 30, 2007.

<u>Description of Obligation</u>	<u>Annual Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Balance as of 9/30/07</u>
Advances from ADP Management	11%	August 31, 2009	\$ 239,763 (1)
Note to Stockholder	5%	January 2004	84,838
Note to Stockholder	5%	January 2004	84,838
Bank Line of Credit	19.25%	March 1, 2008	3,858,985 (2)
Total			<u><u>\$ 4,268,424</u></u>

- (1) By agreement dated August 19, 2004, ADP Management, an entity owned and controlled by Messrs. Derrick and Dalton, provided a \$500,000 line of credit to the Company. During the year ended September 30, 2007, borrowings on the line of credit increased by \$195,214 due to a monthly management fee, that includes the salaries of Mr. Derrick and Mr. Dalton, owed to ADP Management, and expenses incurred by ADP Management that are reimbursable by the Company. The Company made cash repayments to ADP Management during fiscal year 2007 totaling \$503,310. During the year ended September 30, 2007, the parties increased the amount available under the line of credit from \$500,000 to \$5,000,000, including any guarantees made by ADP Management. As consideration for increasing the size of the line, ADP Management was granted 500,000 restricted shares of the Company's common stock and an increase in the annual interest rate from 5% to 11%.
- (2) As of September 30, 2007, the outstanding balance on the line of credit was \$3,858,985. The Company pays 8.25% interest to a bank and 11% to entities that provided and arranged for the letters of credit resulting in a total interest rate of 19.25%.

Contractual Obligations

The following table summarizes the Company's outstanding borrowings and long-term contractual obligations at September 30, 2007, and the periods in which these obligations are scheduled to be paid in cash:

Contractual Obligations	Payments Due By Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Notes payable	\$ 4,268,424	\$4,028,661	\$ 239,763	\$ -	\$ -
Operating leases	704,253	398,858	270,823	34,572	-
Total	\$ 4,972,677	\$4,427,519	\$ 510,586	\$ 34,572	\$ -

Inflation

The Company does not believe inflation had a material adverse impact on its business or operating results during the periods presented nor is it expected to in the next year.

Critical Accounting Policies

In Note 2 to the audited financial statements for the fiscal year ended September 30, 2007 included in this Form 10-KSB/A, the Company discusses those accounting policies that are considered to be significant in determining the results of operations and its financial position.

The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, product liability, revenue, and income taxes. We base our estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions.

With respect to inventory reserves, revenue recognition, impairment of long-lived assets and allowance for doubtful accounts receivables, the Company applies the following critical accounting policies in the preparation of its financial statements:

Inventory Reserves

The nature of the Company's business requires maintenance of sufficient inventory on hand at all times to meet the requirements of its customers. The Company records finished goods inventory at the lower of standard cost, which approximates actual cost (first-in, first-out method) or market. Raw materials are stated at the lower of cost (first-in, first-out method), or market. General inventory reserves are maintained for the possible impairment of the inventory. Impairment may be a result of slow moving or excess inventory, product obsolescence or changes in the valuation of the inventory. In determining the adequacy of reserves, management analyzes the following, among other things:

- Current inventory quantities on hand;
- Product acceptance in the marketplace;
- Customer demand;
- Historical sales;
- Forecast sales;
- Product obsolescence; and
- Technological innovations.

Any modifications to these estimates of reserves are reflected in cost of revenues within the statement of operations during the period in which such modifications are determined necessary by management.

Revenue Recognition

The Company's revenue has historically been from three sources: (i) monitoring services; (ii) monitoring device and other product sales; and (iii) sales of medical diagnostic stains.

Monitoring Services

Monitoring services include two components: (a) lease contracts in which the Company provides monitoring services and leases devices to distributors or end users and the Company retains ownership of the leased devices; and (b) monitoring services purchased by distributors or end users who have previously purchased monitoring devices and opt to use the Company's monitoring services.

The Company typically leases its devices under one-year contracts with customers that opt to use the Company's monitoring services. However, these contracts may be cancelled by either party at anytime with 30 days notice. Under the Company's standard leasing contract, the leased device becomes billable on the date of activation or 21 days from the date the device is assigned to the lessee, and remains billable until the device is returned to the Company. The Company recognizes revenue on leased devices at the end of each month that monitoring services have been provided. In those circumstances in which the Company receives payment in advance, the Company records these payments as deferred revenue.

Monitoring Device Product Sales

Although not the focus of the Company's business model, the Company sells its monitoring devices in certain situations. In addition, the Company sells home security and PERS units. The Company recognizes product sales revenue when persuasive evidence of an arrangement with the customer exists, title passes to the customer and the customer cannot return the devices, prices are fixed or determinable (including sales not being made outside the normal payment terms) and collection is reasonably assured.

When purchasing products (such as TrackerPAL devices) from the Company, customers may, but are not required to, enter into monitoring service contracts with the Company. The Company recognizes revenue on monitoring services for customers that have previously purchased devices at the end of each month that monitoring services have been provided.

Multiple Element Arrangements

The majority of the Company's revenue transactions do not have multiple elements. On occasion, the Company has revenue transactions that have multiple elements (such as product sales and monitoring services). For revenue arrangements that have multiple elements, the Company considers whether: (i) the delivered devices have standalone value to the customer; (ii) there is objective and reliable evidence of the fair value of the undelivered monitoring services, which is generally determined by surveying the price of competitors' comparable monitoring services; and (iii) the customer does not have a general right of return. Based on these criteria, the Company recognizes revenue from the sale of devices separately from the monitoring services to be provided to the customer. In accordance with EITF 00-21, if the fair value of the undelivered element exists, but the fair value does not exist for one or more delivered elements, then revenue is recognized using the residual method. Under the residual method as applied to these particular transactions, the fair value of the undelivered element (the monitoring services) is deferred and the remaining portion of the arrangement (the sale of the device) is recognized as revenue when the device is delivered and all other revenue recognition criteria are met.

Medical Diagnostic Stain Sales

The Company recognizes medical diagnostic stains revenue when persuasive evidence of an arrangement with the customer exists, title passes to the customer and the customer cannot return the products, prices are fixed or determinable (including sales not being made outside the normal payment terms) and collection is reasonably assured.

Other Matters

The Company considers an arrangement with payment terms longer than the Company's normal terms not to be fixed or determinable, and revenue is recognized when the fee becomes due. Normal payment terms for the sale of monitoring services are 30 days, and normal payment terms for device sales are between 120 and 180 days. The Company sells its devices and services directly to end users and to distributors. Distributors do not have general rights of return. Also, distributors have no price protection or stock protection rights with respect to devices sold to them by the Company. Generally, title and risk of loss pass to the buyer upon delivery of the devices.

The Company estimates its product returns based on historical experience and maintains an allowance for estimated returns, which is recorded as a reduction to accounts receivable and revenue.

Shipping and handling fees are included revenues. The related freight costs and supplies directly associated with shipping products to customers are included as a component of cost of revenues.

Impairment of Long-lived Assets

The Company reviews its long-lived assets, other than goodwill, for impairment when events or changes in circumstances indicate the book value of an asset may not be recoverable. An evaluation is made at each balance sheet date, to determine whether events and circumstances have occurred which indicate possible impairment. An estimate is made of future undiscounted net cash flows of the related asset or group of assets over its estimated remaining life in measuring whether the assets are recoverable. During the years ended September 30, 2007 and 2006, the Company disposed of \$1,454,784 and \$0, respectively, in monitoring equipment that was initially used as test units and had served its useful life. This expense was classified as research and development expense.

Allowance for Doubtful Accounts

The Company must make estimates of the collectability of accounts receivable. In doing so, we analyze accounts receivable and historical bad debts, customer credit-worthiness, current economic trends and changes in customer payment patterns when evaluating the adequacy of the allowance for doubtful accounts.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes by creating a framework for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions that they have taken or expect to take in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006 and is required to be adopted by the Company beginning in the first quarter of fiscal 2008. Although the Company will continue to evaluate the application of FIN 48, management does not currently believe adoption will have a material impact on the Company's financial condition or operating results.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, provides a framework for measuring fair value, and expands the disclosures required for fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require fair value measurements; it does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and is required to be adopted by the Company beginning in the first quarter of fiscal 2009. Although the Company will continue to evaluate the application of SFAS No. 157, management does not currently believe adoption will have a material impact on the Company's financial condition or operating results.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115*. SFAS No. 159 allows companies to choose to elect measuring eligible financial instruments and certain other items at fair value that are not required to be measured at fair value. SFAS No. 159 requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings at each reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and is required to be adopted by the Company beginning in the first quarter of fiscal 2009. Although the Company will continue to evaluate the application of SFAS No. 159, management does not currently believe adoption will have a material impact on the Company's financial condition or operating results.

Effective October 1, 2006, the Company adopted SFAS No. 123R, using the modified prospective method. SFAS No. 123R requires the recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements and is measured based on the grant date fair value of the award. SFAS No. 123R also requires the stock option compensation expense to be recognized over the period during which an employee is required to provide service in exchange for the award (the vesting period). Prior to adopting SFAS No. 123R, the Company accounted for its stock-based compensation plans under Accounting Principles Board Opinion ("APB") No. 25, *Accounting for Stock Issued to Employees*. Under APB No. 25, generally no compensation expense is recorded when the terms of the award are fixed and the exercise price of the employee stock option equals or exceeds the fair value of the underlying stock on the date of grant. The Company adopted the disclosure-only provision of SFAS No. 123, *Accounting for Stock-Based Compensation*.

For the year ended September 30, 2007, the Company calculated compensation expense of \$900,664 related to the vesting of previously granted stock options and additional options granted during the period.

For options granted subsequent to October 1, 2006, the fair value of each stock option grant has been and will be estimated on the date of grant using the Black-Scholes option-pricing model. The Company granted 320,000 stock options to employees during the year ended September 30, 2007. The Company granted 3,170,000 to employees during the year ended September 30, 2006. The weighted average fair value of stock options at the date of grant during the year ended September 30, 2007 and 2006, was \$1.43 and \$0.55, respectively.

The expected life of stock options represents the period of time that the stock options granted are expected to be outstanding based on historical exercise trends. The expected volatility is based on the historical price volatility of common stock. The risk-free interest rate represents the U.S. Treasury bill rate for the expected life of the related stock options. The dividend yield represents the Company's anticipated cash dividends over the expected life of the stock options.

The following are the weighted-average assumptions used for options granted during the years ended September 30, 2007 and 2006, respectively:

	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Risk free interest rate	4.57%	4.59%
Expected life	5 Years	5 Years
Cash dividend yield	-	-
Volatility	142%	129%

A summary of stock option activity for the year ended September 30, 2007, is presented below:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at September 30, 2006	3,607,500	\$ 0.63	3.63 Years	\$5,567,276
Granted	320,000	1.58	4.53 Years	342,899
Exercised	(462,500)	1.06	2.93 Years	790,875
Forfeited	(100,000)	0.60	3.63 Years	217,000
Expired	(70,000)	1.46	2.26 Years	97,650
Outstanding at September 30, 2007	<u>3,295,000</u>	0.64	3.97 Years	7,015,700
Exercisable at September 30, 2007	<u>1,140,000</u>	0.69	3.98 Years	2,365,649

Prior to October 1, 2006, the Company determined the value of stock-based compensation arrangements under the provisions of APB No. 25 and made pro forma disclosures required under SFAS No. 123. Had compensation expense for stock option grants been determined based on the fair value at the grant dates consistent with the method prescribed in SFAS No. 123, the Company's net loss and net loss per common share would have been adjusted to the proforma amounts below for the year ended September 30, 2006:

September 30, 2006

Net loss applicable to common stockholders – as reported	\$ (24,440,257)
Add: intrinsic value of employee stock-based compensation	-
Deduct: total employee stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	<u>(1,400,148)</u>
Net loss applicable to common stockholders– pro forma	<u>\$ (25,840,405)</u>
Basic and diluted net loss per common share – as reported	<u>\$ (0.44)</u>
Basic and diluted net loss per common share – pro forma	<u>\$ (0.46)</u>

Risk Factors

Caution Regarding Forward-looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company may from time to time make written or oral statements that are forward-looking, including statements contained in this Report and other filings with the Securities and Exchange Commission and in reports to our stockholders. Such statements may, for example, express expectations or projections about future actions that we may take including restructuring or strategic initiatives or about developments beyond our control. The terms "anticipate", "believe", "estimate", "expect", "objective", "plan", "might," "should," "may," "project," and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to inherent risks and uncertainties that may cause actual results or events to differ materially from those contemplated by the forward-looking statements. These statements are made on intention of management's views and assumptions as of the time the statements are made, and we disclaim any obligation or intention to update these statements. There can be no assurance however that our expectations will necessarily come to pass. The factors that could materially affect future developments and performance include those set forth below.

The financial statements contained in our annual report on Form 10-KSB/A for the year ended September 30, 2007 have been prepared on the basis that the Company will continue as a going concern, notwithstanding the fact that its financial performance and condition during the past few years raise substantial doubt as to our ability to do so. There is no assurance the Company will ever be profitable. In fiscal year 2007, the Company incurred a net loss of \$26,370,571, negative cash flows from operating activities of \$14,172,509, and as of September 30, 2007 has an accumulated deficit of \$133,096,946.

These factors, as well as the risk factors set out elsewhere in this Report raise substantial doubt about the Company's ability to continue as a going concern. The financial statements included in this Report do not include any adjustments that might result from the outcome of this uncertainty. Our plan with respect to this uncertainty is to focus on increasing the number of TrackerPAL devices in the market place from which we will generate monitoring service revenue. There can be no assurance that revenues will increase rapidly enough to offset operating losses and repay indebtedness. Likewise, there can be no assurance that the debt holders will be willing to convert the debt obligations to equity securities or that the Company will be successful in raising additional capital from the sale of equity or debt securities. If the Company is unable to increase cash flows from operating activities or obtain additional financing, it will be unable to continue the development of its products and will likely cease operations.

The Company has a history of losses and anticipates significant future losses and may be unable to project its revenues and expenses accurately. The Company will incur significant expenses associated with the development and deployment of our new products and promoting our brand. It intends to enter into additional arrangements through current and future strategic alliances that may require it to pay consideration in various forms and in amounts that may significantly exceed current estimates and expectations. The Company may also be required to offer promotional packages of hardware and software to end-users at subsidized prices in order to promote its brand, products and services. These guaranteed payments, promotions and other arrangements will result in significant expense. If it does achieve profitability, it cannot be certain that it will be able to sustain or increase profitability in the future. In addition, because of its limited operating history in its newly targeted markets, the Company may be unable to project revenues or

expenses with any degree of certainty. Management expects expenses to increase significantly in the future as the Company continues to incur significant sales and marketing, product development and administrative expenses. The Company cannot guarantee that it will be able to generate sufficient revenues to offset operating expenses or the costs of the promotional packages or subsidies described above, or that it will be able to achieve or maintain profitability. If revenues fall short of projections, our business, financial condition and operating results would be materially adversely affected.

As a result of our increased focus on a new business market, our business is subject to many of the risks of a new or start-up venture. The change in our business goals and strategy subjects us to the risks and uncertainties usually associated with start-ups. Our business plan involves risks, uncertainties and difficulties frequently encountered by companies in their early stages of development. If the Company is to be successful in this new business direction, it must accomplish the following, among other things:

- Develop and introduce functional and attractive product and service offerings;
- Increase awareness of our brand and develop consumer loyalty;
- Respond to competitive and technological developments;
- Build an operational structure to support our business; and
- Attract, retain and motivate qualified personnel.

If the Company fails to achieve these goals, that failure would have a material adverse effect on its business, prospects, financial condition and operating results. Because the market for its new product and service offerings is new and evolving, it is difficult to predict with any certainty the size of this market and its growth rate, if any. There is no assurance that a market for these products or services will ever develop or that demand for our products and services will emerge or be sustainable. If the market fails to develop, develops more slowly than expected or becomes saturated with competitors, our business, financial condition and operating results would be materially adversely affected.

Groups own or control a significant number of our outstanding shares. Certain groups or persons associated with them beneficially own a substantial number of shares of our outstanding common stock. As a result, these persons have the ability, acting as a group, to effectively control our affairs and business, including the election of our directors and, subject to certain limitations, approval or preclusion of fundamental corporate transactions. This concentration of ownership may also have the effect of delaying or preventing a change of control or making other transactions more difficult or impossible without their support. See Item 9 “Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act,” and Item 11 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

There is no certainty that the market will accept our new products and services. Our targeted markets may never accept our new products or services. Governmental organizations may not use our products unless they determine, based on experience, advertising or other factors, that those products are a preferable alternative to currently available methods of tracking. In addition, decisions to adopt new tracking devices can be influenced by government administrators, regulatory factors, and other factors largely outside our control. No assurance can be given that key decision-makers will accept our new products, which could have a material adverse effect on our business, financial condition and results of operations.

Our relationship with our majority stockholders presents potential conflicts of interest, which may result in decisions that favor them over our other shareholders. Two of our principal beneficial owners and founders, David Derrick and James J. Dalton, provide management and financial services and assistance to the Company. When their personal investment interests diverge from our interests, they and their affiliates may exercise their influence in their own best interests. Some decisions concerning our operations or finances may present conflicts of interest between us and these stockholders and their affiliated entities.

During the two most recent fiscal years the Company has been dependent upon certain major customers, the loss of which would adversely affect its results of operations and business condition. During fiscal year 2007, two customers accounted for more than 10% of revenues. The loss of either of these customers would result in lower revenues and limit the cash available to grow our business and to achieve profitability. We have no arrangements or contracts with these customers that would require them to purchase a specific amount of product from us.

The Company also relies on significant suppliers for other key products and cellular access. If the Company does not renew these agreements when they expire it may not continue to have access to these suppliers’ products or services at favorable prices or in volumes as it has in the past, which would reduce revenues and could adversely

affect results of operations or financial condition. During the fall of 2001, the Company entered into a cellular switching access agreement under which it purchases substantially all of its cellular access requirements. That agreement expired in 2004. However, the Company has entered into an agreement with a national cellular access company for these services. If any of these significant suppliers were to cease providing product or services to us, we would be required to seek alternative sources. There is no assurance that alternate sources could be located or that the delay or additional expense associated with locating alternative sources for these products or services would not materially and adversely affect our business and financial condition.

Our proposed business plan subjects our research, development and ultimate marketing activities to current and possibly to future government regulation. The cost of compliance or the failure to comply with this regulation could adversely affect our business, results of operations and financial condition. The products that our SecureAlert subsidiary currently distributes and sells are not subject to specific approvals from any governmental agency, although our products using cellular and GPS technologies must be manufactured in compliance with applicable rules and regulations of the Federal Communications Commission (“FCC”). Products sold through our Volu-Sol subsidiary requires governmental clearance through the Federal Drug Administration (“FDA”) for all medical devices and drugs before they can be marketed in the United States. Similar approvals are required from other regulatory agencies in most foreign countries. The regulatory processes established by these government agencies are lengthy, expensive, and uncertain and may require extensive and expensive clinical trials. There can be no assurance that any future products developed by us that are subject to the FCC and FDA’s authority will prove to be safe and effective and meet all of the applicable regulatory requirements necessary to be marketed. The results of testing activities could be susceptible to varied interpretations that could delay, limit or prevent required regulatory approvals. In addition, we may encounter delays or denials of approval based on a number of factors, including future legislation, administrative action or changes in FCC and FDA’s policy made during the period of product development and FCC and FDA’s regulatory review. We may encounter similar delays in foreign countries. Furthermore, approval may entail ongoing requirements for, among other things, post-marketing studies. Even if we obtain regulatory approval of a marketed product, our manufacturer and its manufacturing facility are subject to on-going regulation and inspections. Discovery of previously unknown problems with a product, manufacturer or facility could result in FCC and/or FDA’s sanctions, restrictions on a product or manufacturer, or an order to withdraw and/or recall a specific product from the market. There can also be no assurance that changes in the legal or regulatory framework or other subsequent developments will not result in limitation, suspension or revocation of regulatory approvals granted to us. Any such events, were they to occur, could have a material adverse effect on our business, financial condition and results of operations.

We may also be required to comply with FCC and FDA’s regulations for manufacturing practices, which mandate procedures for extensive control and documentation of product design, control and validation of the manufacturing process and overall product quality. Foreign regulatory agencies have similar manufacturing standards. Any third parties manufacturing our products or supplying materials or components for such products may also be subject to these manufacturing practices and mandatory procedures. If we, our management or our third-party manufacturers fail to comply with applicable regulations regarding these manufacturing practices, we could be subject to a number of sanctions, including fines, injunctions, civil penalties, delays, suspensions or withdrawals of market approval, seizures or recalls of product, operating restrictions and, in some cases, criminal prosecutions.

Our products and related manufacturing operations may also be subject to regulation, inspection and licensing by other governmental agencies, including the Occupational Health and Safety Administration.

The Company faces intense competition, including competition from entities that are more established and have greater financial resources than we do, which may make it difficult for us to establish and maintain a viable market presence. Our current and expected markets are rapidly changing. Existing products and services and emerging products and services will compete directly with the products we are seeking to develop and market. Our technology will compete directly with other technology, and, although we believe our technology has or will have advantages over these competing systems, there can be no assurance that our technology will have advantages that are significant enough to cause users to adopt its use. Competition is expected to increase.

Many of the companies currently in the remote medical monitoring and diagnostic markets may have significantly greater financial resources and expertise in research and development, marketing, manufacturing, pre-clinical and clinical testing, obtaining regulatory approvals, and marketing than those available to us. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large third parties. Academic institutions, governmental agencies, and public and private research organizations also conduct research, seek patent protection, and establish collaborative arrangements for product and clinical development and marketing in the medical

diagnostic arena. Many of these competitors have products or techniques approved or in development and operate large, well-funded research and development programs in the field. Moreover, these companies and institutions may be in the process of developing technology that could be developed more quickly or be ultimately more effective than our planned products.

We face competition based on product efficacy, the timing and scope of regulatory approvals, availability of supply, marketing and sales capability, reimbursement coverage, price and patent position. There can be no assurance that our competitors will not develop more effective or more affordable products, or achieve earlier patent protection or product commercialization.

Our business plan is subject to the risks of technological uncertainty, which may result in our products failing to be competitive or readily accepted by our target markets. We may not realize revenues from the sale of any of our new products or services for several years, if at all. Some of the products we are currently evaluating likely will require further research and development efforts before they can be commercialized. There can be no assurance that our research and development efforts will be successful or that we will be successful in developing any commercially successful products. In addition, the technology which we integrate or that we may expect to integrate with our product and service offerings is rapidly changing and developing. We face risks associated with the possibility that our technology may not function as intended and the possible obsolescence of our technology and the risks of delay in the further development of our own technologies. Cellular coverage is not uniform throughout our current and targeted markets and GPS technology depends upon “line-of-sight” access to satellite signals used to locate the user. This limits the effectiveness of GPS if the user is in the lower floors of a tall building, underground or otherwise located where the signals have difficulty penetrating. Other difficulties and uncertainties normally associated with new industries or the application of new technologies in new or existing industries also threaten our business, including the possible lack of consumer acceptance, difficulty in obtaining financing for untested technologies, increasing competition from larger or smaller well-funded competitors, advances in competing or other technologies, and changes in laws and regulations affecting the development, marketing or use of our new products and related services.

The Company is dependent upon its strategic alliances, the loss of which would limit its success. Our strategy for the identification, development, testing, manufacture, marketing and commercialization of our products and services includes, entering into various collaborations through corporate alliances. We have entered into collaborative relationships with a significant engineering and product commercialization firm and a multi-national manufacturing corporation, and we believe that these relationships provide us with strong strategic alliances for the design and engineering of our products. There can be no assurance however, that these relationships will succeed or that we will be able to negotiate strategic alliances with other parties on acceptable terms, if at all, or that any of these collaborative arrangements will be successful. To the extent we choose or are unable to establish or continue such arrangements we could experience increased capital requirements as a result of undertaking such activities. In addition, we may encounter significant delays in introducing products currently under development into the marketplace or find that the development, manufacture or sale of our proposed products is adversely affected by the absence of successful collaborative agreements.

Our business plan anticipates significant growth through monitoring revenues and acquisitions. To manage the expected growth the Company will require capital and there is no assurance it will be successful in obtaining necessary additional funding. If we are successful in implementing our business plan, we may be required to raise additional capital to manage anticipated growth. Our actual capital requirements will depend on many factors, including but not limited to, the costs and timing of our ongoing development activities, the number and type of clinical or other tests we may be required to conduct in seeking government or agency approval of these products, the success of our development efforts, the cost and timing of establishing or expanding our revenues, marketing and manufacturing activities, the extent to which our products gain market acceptance, our ability to establish and maintain collaborative relationships, competing technological and market developments, the progress of our commercialization efforts and the commercialization efforts of our marketing alliances, the costs involved in preparing, filing, prosecuting, maintaining and enforcing and defending patent claims and other intellectual property rights, developments related to regulatory issues, and other factors, including many that are outside our control. To satisfy our capital requirements, we may seek to raise funds through public or private financings, collaborative relationships or other arrangements. Any arrangement that includes the issuance of equity securities or securities convertible into our equity securities may be dilutive to stockholders (including the purchasers of the shares), and debt financing, if available, may involve significant restrictive covenants that limit our ability to raise capital in other transactions. Collaborative arrangements, if necessary to raise additional funds, may require that we relinquish or encumber our rights to certain of our technologies, products or marketing territories. Any inability or failure to raise capital when needed could also have a material adverse effect on

our business, financial condition and results of operations. There can be no assurance that any such financing, if required, will be available on terms satisfactory to us, if at all.

The Company currently lacks experienced sales and marketing capability for all of its product and service lines. We currently have limited staff with experience in sales, marketing or distribution in our intended markets. We will be required to develop a marketing and sales force with technical expertise and with supporting distribution capability. We may obtain the assistance of other companies with established distribution and sales forces, in which case we would be required to enter into agreements regarding the use and maintenance of these distribution systems and sales forces. There can be no assurance that we will be able to establish in-house sales and distribution capabilities, or that we will be successful in gaining market acceptance for our products through the use of third parties. There can be no assurance that we will be able to recruit, train and maintain successfully the necessary sales and marketing personnel, or that the efforts of such personnel will be successful.

Our products are subject to the risks and uncertainties associated with the protection of intellectual property and related proprietary rights. We believe that our success depends in part on our ability to obtain and enforce patents, maintain trade secrets and operate without infringing on the proprietary rights of others in the United States and in other countries. We have received several additional patents; we have also applied for several additional patents and those applications are awaiting action by the U.S. Patent Office. There is no assurance those patents will issue or that when they do issue they will include all of the claims currently included in the applications. Even if they do issue, those new patents and our existing patents must be protected against possible infringement. The enforcement of patent rights can be uncertain and involve complex legal and factual questions. The scope and enforceability of patent claims are not systematically predictable with absolute accuracy.

The strength of our own patent rights depends, in part, upon the breadth and scope of protection provided by the patent and the validity of our patents, if any. Our inability to obtain or to maintain patents on our key products could adversely affect our business. We own five patents and have filed and intend to file additional patent applications in the United States and in key foreign jurisdictions relating to our technologies, improvements to those technologies and for specific products we may develop. There can be no assurance that patents will issue on any of these applications or that, if issued, any patents will not be challenged, invalidated or circumvented. The prosecution of patent applications and the enforcement of patent rights are expensive, and the expense may adversely affect our profitability and the results of our operations. In addition, there can be no assurance that the rights afforded by any patents will guarantee proprietary protection or competitive advantage.

Our success will also depend, in part, on our ability to avoid infringing the patent rights of others. We must also avoid any material breach of technology licenses we may enter into with respect to our new products and services. Existing patent and license rights may require us to alter the designs of our products or processes, obtain licenses or cease certain activities. In addition, if patents have been issued to others that contain competitive or conflicting claims and such claims are ultimately determined to be valid and superior to our own, we may be required to obtain licenses to those patents or to develop or obtain alternative technology. If any licenses are required, there can be no assurance that we will be able to obtain any necessary licenses on commercially favorable terms, if at all. Any breach of an existing license or failure to obtain a license to any technology that may be necessary in order to commercialize our products may have a material adverse impact on our business, results of operations and financial condition. Litigation that could result in substantial costs may also be necessary to enforce patents licensed or issued to us or to determine the scope or validity of third-party proprietary rights. If our competitors prepare and file patent applications in the United States that claim technology also claimed by us, we may have to participate in proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention, which could result in substantial costs, even if we eventually prevail. An adverse outcome could subject us to significant liabilities to third parties, require disputed rights to be licensed from third parties or require that we cease using such technology.

We rely on trade secrets laws to protect portions of our technology for which patent protection has not yet been pursued or is not believed to be appropriate or obtainable. These laws may protect us against the unlawful or unpermitted disclosure of any information of a confidential and proprietary nature, including but not limited to our know-how, trade secrets, methods of operation, names and information relating to vendors or suppliers and customer names and addresses.

We intend to protect this unpatentable and unpatented proprietary technology and processes, in addition to other confidential and proprietary information in part, by entering into confidentiality agreements with employees, collaborative partners, consultants and certain contractors. There can be no assurance that these agreements will not be

breached, that we will have adequate remedies for any breach, or that our trade secrets and other confidential and proprietary information will not otherwise become known or be independently discovered or reverse-engineered by competitors.

The existence of certain anti-dilution rights applicable to our Series B Preferred Stock might result in increased dilution inasmuch as the Company has offered and sold shares of common stock or securities convertible into shares of common stock at prices below the initial conversion rate of \$3.00 per common share, unless those rights are waived. The investors in our Series B preferred stock have the right to an automatic adjustment of the conversion price of the Series B preferred shares held by them in the event we sell shares of common stock or securities convertible into common stock at a price below the original conversion price of \$3.00 per share. We have issued shares and options to purchase shares to certain creditors to convert debt to equity at prices that are below the \$3.00 conversion price. We have also issued promissory notes that are convertible into shares of common stock at conversion prices below the original Series B conversion price of \$3.00. Certain holders of the Series B preferred stock have waived their right to receive the adjustment but there is no assurance that any holder of Series B preferred stock will waive those rights as to issuances of common stock. Accordingly, we may be required to issue additional shares of common stock to comply with anti-dilution adjustments to the conversion rights of present or former preferred shareholders. Any increase in the number of shares of common stock issued upon conversion of Series B preferred shares would compound the risks of dilution to existing stockholders.

The obligation to issue shares of common stock upon the exercise of outstanding options and warrants or upon conversion of outstanding shares of preferred stock or conversion of outstanding notes, increases the potential for short sales. Downward pressure on the market price of our common stock that likely would result from issuances of common stock upon conversion of preferred stock or convertible debentures, or upon the exercise of options and warrants, could encourage short sales of common stock by the holders of the preferred stock or others. A significant amount of short selling could place further downward pressure on the market price of the common stock, reducing the market value of the securities held by our shareholders.

Payment of dividends in additional shares of Series A preferred stock or in shares of common stock will result in further dilution. Under the terms of the Series A preferred stock, our board of directors may elect to pay dividends by issuing additional shares of Series A preferred stock or common stock. Dividends accrue from the date of the issuance of the preferred stock, subject to any intervening payments in cash. Each share of Series A preferred stock is convertible into 370 shares of common stock. The issuance of additional shares of Series A preferred stock or common stock as dividends could result in a substantial increase in the number of shares issued and outstanding and could result in a decrease of the relative voting control of the holders of the common stock issued and outstanding prior to such payment of dividends and interest.

The Company has and will continue to have significant future capital needs and there is no assurance it will be successful in obtaining necessary additional funding. We will be required to raise additional capital to fully implement our business plan. Our actual capital requirements will depend on many factors, including but not limited to, the costs and timing of our ongoing development activities, the number and type of clinical or other tests we may be required to conduct in seeking government or agency approval of these products, the success of our development efforts, the cost and timing of establishing or expanding our sales, marketing and manufacturing activities, the extent to which our products gain market acceptance, our ability to establish and maintain collaborative relationships, competing technological and market developments, the progress of our commercialization efforts and the commercialization efforts of our marketing alliances, the costs involved in preparing, filing, prosecuting, maintaining and enforcing and defending patent claims and other intellectual property rights, developments related to regulatory issues, and other factors, including many that are outside our control. To satisfy our capital requirements, we may seek to raise funds through public or private financings, collaborative relationships or other arrangements. Any arrangement that includes the issuance of equity securities or securities convertible into our equity securities may be dilutive to stockholders (including the purchasers of the shares), and debt financing, if available, may involve significant restrictive covenants that limit our ability to raise capital in other transactions. Collaborative arrangements, if necessary to raise additional funds, may require that we relinquish or encumber our rights to certain of our technologies, products or marketing territories. Any inability or failure to raise capital when needed could also have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that any such financing, if required, will be available on terms satisfactory to us, if at all.

The Company relies on third parties to manufacture its products. Therefore, it does not have direct control over the quality or other aspects of the manufacturing process, which could result in a loss of customer acceptance of its

products and increased expense related to warranty claims or defective product returns. We do not directly control the manufacturing facilities where our products are made and we must depend on third parties to make our products according to our standards for quality and reliability. We do not own any manufacturing facilities or equipment and do not employ any manufacturing personnel. We use third parties to manufacture our products on a contract basis. There is no assurance that we will be able to obtain qualified contract manufacturing services on reasonable terms. In addition, the manufacture of our products involves complex and precise processes. Changes in manufacturing processes by our contract manufacturer or our suppliers, or the use of defective components or materials, could significantly reduce our manufacturing yields and product reliability. For example, during the year ended September 30, 2003, we voluntarily recalled approximately 200 GPS MobilePAL devices that contained a defect causing the battery to drain power at an unacceptable rate. The problem was quickly resolved and the units replaced at the expense of our manufacturer. There is no assurance, however, that similar problems will not arise in the future with these other products.

Penny stock regulations may impose certain restrictions on marketability of the Company's securities. The Securities and Exchange Commission (the "SEC") has adopted regulations which generally define a "penny stock" to be any equity security that has a market price (as defined) of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. As a result, the common stock is subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker-dealer must also disclose the commission payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell the Company's securities and may affect the ability of investors to sell the Company's securities in the secondary market and the price at which such purchasers can sell any such securities.

Investors should be aware that, according to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

- Control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;
- Manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- "Boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and
- The wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

The Company's management is aware of the abuses that have occurred historically in the penny stock market.

The holders of our Series B preferred stock have voting rights that are the same as the voting rights of holders of our common stock, which effectively dilutes the voting power of the holders of the common stock. Holders of shares of Series B preferred stock are entitled to one vote per share of Series B preferred stock on all matters upon which holders of the common stock of the Company are entitled to vote. Therefore, without converting the shares of Series B preferred stock, the holders thereof enjoy the same voting rights as if they held an equal number of shares of common stock, as well as the liquidation preference described above. In addition, without the approval of holders of a majority of the outstanding shares of Series B preferred stock voting as a class, we are prohibited from (i) authorizing, creating or issuing any shares of any class or series ranking senior to the Series B preferred stock as to liquidation rights; (ii) amending, altering or repealing our Articles of Incorporation if the powers, preferences or special rights of the Series B preferred stock would be materially adversely affected; or (iii) becoming subject to any restriction on the Series B preferred stock other than restrictions arising solely under the Utah Act or existing under our Articles of Incorporation as in effect on June 1, 2001.

Item 7. Financial Statements

Our audited financial statements and associated notes are included and set forth on pages F-3 through F-45 immediately following page 55 of this Report.

Item 8A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized, and reported within the required time periods, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding disclosure.

As required by Rule 13a-15(b) under the Exchange Act, we conducted an evaluation, under the supervision of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of September 30, 2007. In our evaluation, we identified deficiencies that existed in the tracking of leased equipment, revenue recognition and expense classification, and design or operation of our internal control over financial reporting that we and our independent registered public accounting firm considered to be “material weaknesses.” A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial information will not be prevented or detected.

The deficiencies in our internal control over financial reporting relate to the failure to properly disclose equity transactions, tracking of leased equipment, revenue recognition and classification of expenses. The deficiencies were detected in the evaluation process and the transactions have been appropriately recorded and disclosed in this Form 10-KSB/A. We are in the process of improving our internal control over financial reporting in an effort to resolve these deficiencies through improved supervision and training of our staff, but additional effort is needed to fully remedy these deficiencies. Our management, audit committee, and directors will continue to work with our auditors and outside advisors to ensure that our controls and procedures are adequate and effective.

Based on the matters identified above, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective. These deficiencies have been disclosed to our audit committee.

Changes in Internal Control over Financial Reporting. Other than as described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls. A system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the system will meet its objectives. The design of a control system is based, in part, upon the benefits of the control system relative to its costs. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. In addition, the design of any control system is based in part upon assumptions about the likelihood of future events.

Section 404 Assessment. Section 404 of the Sarbanes-Oxley Act of 2002 requires management’s annual review and evaluation of our internal controls and an attestation of the effectiveness of these controls by our independent registered public accounting firm beginning with our Form 10-K for the fiscal year ending on September 30, 2008. We plan to dedicate significant resources, including management time and effort, in connection with our Section 404 assessment. The evaluation of our internal controls will be conducted under the direction of our senior management. We will continue to work to improve our controls and procedures, and to educate and train our employees on our existing controls and procedures in connection with our efforts to develop and maintain an effective controls infrastructure at our Company.

PART III

Item 9. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act

The following table sets forth information concerning our executive officers and directors as of September 30, 2007:

<u>Name</u>	<u>Age</u>	<u>Position</u>
David G. Derrick	55	Chief Executive Officer and Chairman (Director)
James J. Dalton	65	President and Vice Chairman (Director)
Michael G. Acton	44	Chief Financial Officer, Secretary-Treasurer
Bruce G. Derrick	50	Chief Technology Officer
Randy E. Olshen	44	President of SecureAlert, Inc.
G. Scott Horrocks	46	President of Volu-Sol Reagents Corporation
Peter McCall	50	Director
Robert E. Childers	63	Director
David P. Hanlon	63	Director
Larry G. Schafran	69	Director

David Derrick – CEO and Chairman

Mr. Derrick has been our CEO and Chairman since February 2001. Prior to joining us, Mr. Derrick occupied directorship and management positions in other companies, including Biomune Systems Inc. (“Biomune”), the former parent of the Company and Purizer Corporation. From 1979 to 1982, Mr. Derrick was a faculty member at the University of Utah College of Business. Mr. Derrick graduated from the University of Utah with a Bachelor of Arts degree in Economics and a Masters in Business Administration degree with an emphasis in Finance. Mr. Derrick has been a principal financier and driving force in many new businesses. During the early 1980’s he helped create the community of Deer Valley, an exclusive ski resort outside of Park City, Utah. He also founded and funded Vantage Systems, a company that pioneered the Smart Home concept – the computerized home.

James Dalton – President and Vice Chairman

Mr. Dalton joined us as a director in 2001. He was named President of the Company in August 2003. Prior to joining the Company, Mr. Dalton was the owner and President of Dalton Development, a real estate development company. He served as the President and coordinated the development of The Pinnacle, an 86-unit condominium project located at Deer Valley Resort in Park City, Utah. Mr. Dalton also served as the President and equity owner of Club Rio Mar in Puerto Rico, a 680-acre beach front property that includes 500 condominiums, beach club, numerous restaurants, pools and a Fazio-designed golf course. He was also a founder and owner of the Deer Valley Club, where he oversaw the development of a high-end, world-class ski project that includes 25 condominiums with a “ski-in and ski-out” feature. From 1996 to 2000, Mr. Dalton served as an officer and director of Biomune.

Michael Acton – Secretary, Treasurer and Chief Financial Officer

Mr. Acton joined us as Secretary-Treasurer in March 1999. He has also served as our Chief Financial Officer since March 2001. Prior to joining the Company, Mr. Acton was Chief Executive Officer of Biomune, where he also served as Principal Accounting Officer and Controller. Before joining Biomune, Mr. Acton was employed by Arthur Andersen, LLP in Salt Lake City, Utah, where he performed various tax, audit, and business advisory services. He is a Certified Public Accountant in the State of Utah.

Bruce G. Derrick – Chief Technology Officer

Mr. Derrick has extensive experience in management of custom solutions development and customer management in the wireless telecom marketplace. From 2001 to 2004 was a senior product development manager for WatchMark Corporation. WatchMark collects cellular network performance data for quality assurance and capacity planning. Prior to joining WatchMark, Mr. Derrick was responsible for forming and managing the Professional Services team for Marconi’s MSI division. Mr. Derrick also worked in management positions at Boeing and Western Wireless, built and managed the Corporate Computer and Network Operations department for Avaya’s Mosaix division. He was a Senior Programmer in applied research at the University of Utah’s Department of Medical Informatics where he developed and

implemented medical informatics and physiological monitoring services for ICU care and participated in development of IEEE standards for automated physiological monitoring for NASA's Space Station program. Mr. Derrick holds a Bachelor's Degree in Computer Science from the University of Utah. Bruce Derrick is the brother of David Derrick, the Chairman and CEO of the Company.

Peter McCall – Director

Mr. McCall joined our board of directors in July 2001. Mr. McCall began his career in the mortgage finance business in 1982. As a Vice President of GE Mortgage Securities, he oversaw the first mortgage securities transactions between GE Capital Corporation and Salomon Brothers. For fifteen years, Mr. McCall structured and sold both mortgage and asset backed security transactions. In 1997 Mr. McCall founded McCall Partners LLC. McCall Partners is an investment vehicle for listed and non-listed equity securities. Mr. McCall is also a member of the Board of Directors of Premium Power Corporation of North Andover, MA. Mr. McCall is a member of the Audit Committee, Compensation Committee and the Nominating Committee of the board of directors.

Robert Childers – Director

Mr. Childers joined our board in July 2001. Since 1977, he has served as the Chief Executive Officer of Structures Resources Inc., a firm which he founded in 1972, and has more than 30 years of business experience in construction and real estate development. Mr. Childers has served or is currently serving as General Partner in 16 Public Limited Partnerships in the Middle Atlantic States. Partners include First Union Bank and Fannie Mae. Structures Resources has successfully completed over 300 projects (offices, hotels, apartments, and shopping centers) from New York to North Carolina. Recently Mr. Childers has been a partner for various projects in Baltimore and Philadelphia. He is a co-founder of Life Science Group, a boutique biotech investment-banking firm. Mr. Childers was also the founding President of Associated Building Contractors for the State of West Virginia and served as a director of The Twentieth Street Bank until its merger with City Holding Bank. He is a former naval officer serving in Atlantic fleet submarines. Mr. Childers is a member and Compensation Committee Chairman and member of the Nominating Committee of the board of directors.

Larry G. Schafran - Director

Mr. Schafran is currently associated with Providence Recovery Partners, LP ("PRP, LP") as a Managing General Partner. PRP, LP is a New York City-based activist investment fund. Mr. Schafran is also currently a Director and Audit Committee Chairman of PubliCard, Inc. and Tarragon Corporation, both publicly traded. Additionally, Mr. Schafran was Lead Director and Audit Committee Chairman and a Consultant to the Chairman of WorldSpace, Inc. In addition, Mr. Schafran is a Director of Glasstech, Inc., ElectroEnergy, Inc., Sulphco, Inc., and National Patent Development Corporation.

In recent years, Mr. Schafran served in several capacities, including, as a Trustee, Chairman/Interim-CEO/President and Co-Liquidating Trustee of Special Liquidating Trust of Banyan Strategic Realty Trust; Director and/or Chairman of the Executive Committees of Dart Group Corporation, Crown Books Corporation, TrakAuto Corporation, and Shoppers Food Warehouse, Inc. (Vice-Chairman); Director and Member of the Strategic Planning and Finance Committees of COMSAT Corporation., and Managing General Partner of L. G. Schafran & Partners, LP, a real estate investment and development firm. Mr. Schafran is the Audit Committee and Nominating Chairman of the Company. In addition, Mr. Schafran serves as a member of the Compensation Committee of the board of directors.

David P. Hanlon - Director

Mr. Hanlon is currently Chief Executive Officer and President of Empire Resorts, Inc., a public company in the gaming industry. Prior to starting his own gaming consulting business in 2000, in which he advised a number of Indian and international gaming ventures, Mr. Hanlon was President and Chief Operating Officer of Rio Suites Hotel & Casino from 1996-1999, a period in which the Rio Suites Hotel & Casino underwent a major expansion. From 1994-1995, Mr. Hanlon served as President and Chief Executive Officer of International Game Technology, the world's leading manufacturer of microprocessor gaming machines. From 1988-1993, Mr. Hanlon served as President and Chief Executive Officer of Merv Griffin's Resorts International, and prior to that, Mr. Hanlon served as President of Harrah's Atlantic City (Harrah's Marina and Trump Plaza). Mr. Hanlon's education includes a B.S. in Hotel Administration from Cornell University, an M.S. in Accounting, an M.B.A. in Finance from the Wharton School, University of Pennsylvania,

and he completed the Advanced Management Program at the Harvard Business School. Mr. Hanlon is a member of the Audit Committee of the board of directors.

Randy E. Olshen – President of SecureAlert, Inc.

Prior to joining SecureAlert, Inc., Mr. Olshen was the Executive Vice President for Elan Nutrition from 2001 to 2004. From 1998 to 2001, Mr. Olshen was the President of Optim Nutrition, a wholly-owned subsidiary of Biomune Systems (NASDAQ: BIME). From 1992 to 1998, Mr. Olshen was the Executive Vice President of Sales, Marketing and Operations at Nellson Nutraceutical. From 1987 to 1992 Mr. Olshen was the General Manager of the specialty products division of a \$500 million pharmaceutical company, McGaw, Inc. He currently serves as a director and a member of the compensation committee for two companies, Helios Nutrition and Dr. Soy Nutrition. Mr. Olshen earned his Bachelor's degree from Chapman College. Subsequent to year ended September 30, 2007, Mr. Olshen assumed a different role with the Company as assistant to the Chairman and no longer has an active role in day to day operations of the Company, but is more focused on the strategic direction of the Company.

G. Scott Horrocks – President of Volu-Sol Reagents Corporation

Mr. Horrocks graduated from the University of Utah in Computer Science. For the past twenty years Mr. Horrocks has been a senior project manager for Electronic Data Systems (EDS). As such he has headed many interesting and technologically challenging projects. One in particular was as the project leader of GM's On-Star. There he pioneered the area of telematics. His most recent project has been working with the Veterans Administration in setting up a system of remote home monitoring of its patients.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and persons who beneficially own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and shareholders who beneficially own greater than 10% are required by regulation of the Securities and Exchange Commission to furnish us with copies of all Section 16(a) forms they file.

Based solely upon its review of the copies of such forms furnished to it, and representations made by certain persons subject to this obligation that such filings were not required to be made, the Company is aware of the following untimely filings:

- Mr. Derrick filed seven late Forms 4.
- Mr. Dalton filed five late Forms 4.
- Mr. McCall filed late Forms 3, 4, and 5.
- Mr. Childers filed late Forms 3 and 4.
- Mr. Hanlon filed a late Form 3.
- Mr. Schafran filed a late Form 3.

The Board of Directors

Directors hold office until the next annual meeting of the stockholders and until their successors have been elected or appointed and duly qualified. Executive officers are elected by the board of directors and hold office until their successors are elected or appointed and duly qualified. Vacancies on the board which are created by the retirement, resignation or removal of a director may be filled by the vote of the remaining members of the board, with such new director serving the remainder of the term or until his successor shall be elected and qualify.

The board of directors met nine times during fiscal year 2007. All directors attended in person or telephonically for each board meeting during the fiscal year. The board has an Audit Committee, currently comprised of Mr. Schafran, Mr. Hanlon and Mr. McCall; a Compensation Committee, currently comprised of Mr. Childers, Mr. Schafran and Mr. McCall; and a Nominating Committee, currently comprised of Mr. Schafran, Mr. Childers and Mr. McCall.

The functions of the Audit Committee are (1) to review and approve the selection of, and all services performed by, our independent auditors, (2) to review our internal controls, and (3) to review and report to the board of directors with respect to the scope of our audit procedures, accounting practices and internal accounting and financial controls. Mr.

Schafran and Mr. McCall are independent directors within the meaning of that term under applicable Securities and Exchange Commission rules.

Audit Committee Financial Expert

Subsequent to September 30, 2007, the Audit Committee was restructured appointing Larry Schafran, a director of the Company, as the financial expert serving on the Audit Committee of the Board of Directors within the meaning of that term under applicable rules promulgated by the Securities and Exchange Commission. In addition, Peter McCall and David Hanlon serve as members of the Audit Committee.

Compensation Committee

Subsequent to September 30, 2007, the Compensation Committee was restructured appointing Robert Childers, a director of the Company, as the head of the compensation committee. In addition, Peter McCall and Larry Schafran serve as members of the Compensation Committee. The Committee shall have responsibility for developing and maintaining an executive compensation policy that creates a direct relationship between pay levels and corporate performance and returns to stockholders. The Committee shall monitor the results of such policy to assure that the compensation payable to the Company's executive officers provides overall competitive pay levels, creates proper incentives to enhance stockholder value, rewards superior performance, and is justified by the returns available to stockholders.

Nominating Committee

Subsequent to September 30, 2007, Larry Schafran, a director of the Company, was appointed as the head of the Nominating Committee. The Committee has the responsibility for identifying and recommending candidates to fill vacant and newly created board positions, setting corporate governance guidelines regarding director qualifications and responsibilities, and planning for CEO and senior management succession. In addition, Peter McCall and Robert Childers serve as members of the Nominating Committee.

Code of Ethics

The Company has established a Code of Business Ethics that applies to its officers, directors and employees. The Code of Business Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics, and is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. The Code of Business Ethics is attached as Exhibit 14 to this Annual Report on Form 10-KSB/A.

There have been no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors.

Item 10. Executive Compensation

Compensation Discussion and Analysis

The following is a discussion of the Company's program for compensation of its named executive officers and directors. As of September 30, 2007, the Company's Compensation Committee had responsibility for developing and maintaining an executive compensation policy that creates a direct relationship between pay levels and corporate performance and returns to stockholders. The Committee monitors the results of such policy to assure that the compensation payable to the Company's executive officers provides overall competitive pay levels, creates proper incentives to enhance stockholder value, rewards superior performance, and is justified by the returns available to stockholders.

Compensation Program Objectives

The Company's compensation program is designed to encompass several factors in determining the compensation of the Company's named executive officers. The following are the main objectives of the compensation program for the Company's named executive officers:

- Retain qualified officers.
- Provide overall corporate direction for the officers and also to provide direction that is specific to the officer's respective areas of authority. The level of compensation amongst the officer group, in relation to

one another, is also considered in order to maintain a high level of satisfaction within the leadership group. We consider the relationship that the officers maintain to be one of the most important elements of the leadership group.

- Provide a performance incentive for the officers.

The Company's compensation program is designed to reward the officers in the following areas:

- achievement of specific goals;
- professional education and development;
- creativity in the form of innovative ideas and analysis for new programs and projects;
- new program implementation;
- attainment of company goals, budgets, and objectives;
- results oriented determination and organization;
- positive and supportive direction for company personnel; and
- community involvement.

As of the date of this Report, there were four principal elements of named executive officer compensation. The Compensation Committee determines the portion of compensation allocated to each element for each individual named executive officer. The discussions of compensation practices and policies are of historical practices and policies. Our Compensation Committee is expected to continue these policies and practices, but will reevaluate the practices and policies as it considers advisable. The elements of the compensation program include the following:

- Base salary;
- Performance bonus and commissions;
- Stock options and stock awards
- Employee benefits in the form of:
 - health and dental insurance;
 - life insurance;
 - paid parking and auto reimbursement; and
 - Other de minimis benefits.

Base salary

Base salary is intended to provide competitive compensation for job performance and to attract and retain qualified named executive officers. The base salary level is determined by considering several factors inherent in the market place such as: the size of the company; the prevailing salary levels for the particular office or position; prevailing salary levels in a given geographic locale; and the qualifications and experience of the named executive officer.

Messrs. Derrick and Dalton are paid a base salary of \$240,000 per year. The amount of the base salary was determined after negotiations between each of Messrs. Derrick and Dalton and the Company's Compensation Committee. Factors considered in determining the base salary included Messrs. Derrick and Dalton's status as founders of the Company; their experience and length of service with the Company; their experience in the industries in which the Company operates; educational and work backgrounds; and reviews of sample salaries at companies of comparable size and industry. The Compensation Committee also considered the fact that Messrs. Derrick and Dalton have provided and facilitated credit agreements and other financing for the Company. The salary payable to Mr. Derrick and Mr. Dalton is paid by ADP Management out of amounts paid to ADP Management for consulting and other services. See "Certain Relationships and Related Transactions and Director Independence" in this Report.

Messrs. Horrocks and Olshen are paid a base salary of \$200,000 per year. The amount of the base salary was determined after negotiations between each of Messrs. Horrocks and Olshen and the Company's Compensation Committee. Factors considered in determining Mr. Horrock's base salary included his background in the industries in which the Company operates; his educational and work background, and reviews of sample salaries at companies of comparable size and industry. Factors considered in determining Mr. Olshen's base salary included his background in sales and in the industries in which the Company operates; his background and experience with SecureAlert and other companies; his educational and work background, and reviews of sample salaries at companies of comparable size and industry.

Mr. Acton receives a base salary of \$100,000. The amount of the base salary was determined after negotiations between Mr. Acton and the Company's Compensation Committee. Factors considered in determining Mr. Acton's base salary included his background and experience as a certified public accountant; his experience working in the accounting industry with a national and international accounting firm; his background and experience with the Company and related entities; his educational and work background, and reviews of sample salaries at companies of comparable size and industry.

Performance bonus and commissions

Bonuses are in large part based on Company performance. The most important determining factors used to calculate the performance bonus for the Chief Executive Officer, President of the Company, President of SecureAlert, and Chief Financial Officer are based upon the terms outlined below:

The President of SecureAlert receives a performance bonus based upon the placement of activated TrackerPAL units in the market place. The bonus is payable by the grant of options. On May 18, 2006, the Board of Directors, in conjunction with the Compensation Committee, granted 1,000,000 options with an exercise price of \$0.60 per share to Mr. Olshen. The 1,000,000 options would be vested as follows: 25,000 vested immediately, 25,000 vest upon deployment of 5,000 devices, 50,000 vest upon deployment of an additional 5,000 devices, 100,000 vest upon deployment of an additional 5,000 devices, 100,000 vest upon deployment of an additional 5,000 devices, 200,000 vest upon deployment of an additional 10,000 devices, 200,000 vest upon deployment of an additional 10,000 devices, and 300,000 vest upon deployment of an additional 10,000 devices. As of the date of this Report, 200,000 options had vested and had been exercised for cash proceeds to the Company of \$120,000. In addition, upon the successful deployment of 30,000 units, this compensation package will automatically renew with a new exercise price set at the then current fair market value.

The Chief Financial Officer also receives a performance bonus is based upon the placement of activated TrackerPAL units in the market place. The bonus is payable by the grant of options. On May 18, 2006, the Board of Directors, in conjunction with the Compensation Committee, granted 500,000 options with an exercise price of \$0.60 per share to Mr. Acton. The 500,000 options would vest as follows: 250,000 vest upon deployment of 3,500 devices, 125,000 vest upon deployment of a total of 20,000 devices, and 125,000 vest upon deployment of a total of 30,000 devices. As of the date of this Report, 250,000 options had vested and had been exercised for cash proceeds to the Company of \$150,000. In addition, upon the successful deployment of 30,000 units, this compensation package will automatically renew with a new exercise price set at the then current fair market value.

Policy decisions to waive or modify performance goals have not been a significant factor to date in that there have not been contractual changes made other than the normal renewal or updating of contracts or compensation as would be expected as part of an annual review.

Stock options and stock awards

Stock ownership is provided to enable named executive officers and directors to participate in the success of the Company. The direct or potential ownership of stock will also provide the incentive to expand the involvement of the named executive officer to include, and therefore be mindful of, the perspective of stockholders of the Company. Stock options and stock awards were approved by the Board of Directors and the Compensation Committee and are based, in part, upon the placement of activated TrackerPAL devices in the market place. As noted above, bonuses may be issued in the form of stock options.

The Board of Directors approved the issuance of 1,500,000 options to each of Mr. Derrick and Mr. Dalton based upon the following: 1,000,000 shares once the Company has 10,000 billable devices; and another 500,000 shares once the Company has an additional 5,000 billable devices. As of the date of this Report, those options had not been earned.

On August 29, 2007, the Board of Directors approved the issuance of 1,000,000 options to each of Mr. Derrick and Mr. Dalton with an exercise price of \$2.15 per share for services to be rendered during the 2008 fiscal year end; therefore, the expense has been deferred and will be recorded in future periods.

Employee benefits

Several of the employee benefits for the named executive officers are selected to provide security for the named executive officers. Most notably, insurance coverage for health, life, and liability are intended to provide a level of

protection that will enable the named executive officers to function without having the distraction of having to manage undue risk. The health insurance also provides access to preventative medical care which will help the named executive officers function at a high energy level and manage job related stress, and contribute to the overall well being of the named executive officers, all of which contribute to enhance job performance in the opinion of the Compensation Committee.

Other de minimis benefits

Other de minimis employee benefits such as cell phones, parking, and auto usage reimbursements are directly related to job functions but contain a personal use element which is considered to be a goodwill gesture that contributes to enhanced job performance.

As discussed above, the Board of Directors determines the portion of compensation allocated to each element for each individual named executive officer. As a general rule, salary is competitively based while giving consideration to employee retention, qualifications, performance, and general market conditions. Typically, stock options are based on the current market value of the option and how that will contribute to the overall compensation of the named executive officer. Consideration is also given to the fact that the option has the potential for an appreciated future value. As such, the future value may be the most significant factor of the option, but it is also more difficult to quantify as a benefit to the named executive officer.

Accordingly, in determining the compensation program for the Company, as well as setting the compensation for each named executive officer, the Board of Directors attempts to attract the interest of the named executive officer within in the constraints of a compensation package that is fair and equitable to all parties involved.

The following table summarizes the compensation paid to our Principal Executive Officer or “PEO” (David Derrick, our Chief Executive Officer and our two most highly compensated executive officers other than the PEO, as well as the presidents of our subsidiaries (collectively referred to in this Report as the “named executive officers”) for our two most recently completed fiscal years.

SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Bonus (\$) (d)	Stock Awards (e)	Option Grants (f)	Non-Equity Incentive Plan Compensation (g)	All Other Compensation (h)	Total (\$) (i)
David Derrick – CEO (1)	2007	\$240,000	\$ 0	\$ 0	\$ 441,461	\$0	\$94,370	\$ 775,831
	2006	\$240,000	\$ 0	\$321,428	\$1,016,198	\$0	\$65,689	\$1,643,315
Michael Acton – CFO (2)	2007	\$100,000	\$25,000	\$ 0	\$ 0	\$0	\$18,313	\$143,313
	2006	\$100,000	\$25,000	\$ 30,000	\$ 274,685	\$0	\$17,030	\$446,715
Jim Dalton – President of RemoteMDx, Inc. (3)	2007	\$240,000	\$ 0	\$ 0	\$ 441,461	\$0	\$12,130	\$ 693,591
	2006	\$240,000	\$ 0	\$321,428	\$1,016,198	\$0	\$16,298	\$1,593,924
Randy Olshen – President of SecureAlert, Inc. (4)	2007	\$200,000	\$ 0	\$ 0	\$ 0	\$0	\$14,353	\$214,353
	2006	\$149,000	\$50,000	\$ 0	\$ 549,369	\$0	\$13,520	\$761,889
G. Scott Horrocks –President of Volu-Sol Reagents Corporation (5)	2007	\$200,000	\$ 0	\$ 0	\$ 0	\$0	\$14,730	\$214,730
	2006	\$125,000	\$ 0	\$ 0	\$ 0	\$0	\$ 3,380	\$128,380

(1) During the year ended September 30, 2007, the Company issued a 120-day option to purchase 1,500,000 shares of common stock to Mr. Derrick valued at \$441,461 using the Black-Scholes option-pricing model. Column (h) includes additional compensation for health, dental, life, and vision insurance paid on Mr. Derrick’s behalf by the Company. In addition, country club dues are also included. Amounts shown do not include consideration and fees

paid to ADP Management in connection with a line of credit agreement. See Item 12 “Certain Relationships and Related Transactions and Director Independence.” During the year ended September 30, 2006, the Company issued 535,714 shares of common stock to Mr. Derrick valued at \$321,428. In addition, the Company granted the following warrants to Mr. Derrick: 500,000 warrants with an exercise price of \$0.56 per share valued at \$342,830, the remaining 1,250,000 of the 2,500,000 warrants with an exercise price of \$0.54 per share vested for a value of \$536,026, and 250,000 warrants with an exercise price of \$0.60 per share valued at \$137,342.

- (2) Mr. Acton received bonuses in the amount of \$25,000. Column (h) includes additional compensation for health, dental, life, and vision insurance paid on Mr. Acton’s behalf by the Company. During the year ended September 30, 2006, the Company issued 50,000 shares of common stock to Mr. Acton valued at \$30,000. The Company granted Mr. Acton 500,000 options at \$0.60 per share valued at \$274,685. The 500,000 options would vest as follows: 250,000 vest upon deployment of 3,500 devices, 125,000 vest upon deployment of a total of 20,000 devices, and 125,000 vest upon deployment of a total of 30,000 devices. As of the date of this Report, 250,000 options had vested and had been exercised for cash proceeds to the Company of \$150,000. In addition, upon the successful deployment of 30,000 units, this compensation package will automatically renew with a new exercise price set at the then current fair market value.
- (3) During the year ended September 30, 2007, the Company issued a 120-day option to purchase 1,500,000 shares of common stock to Mr. Dalton valued at \$441,461 using the Black-Scholes option pricing method. Column (h) includes additional compensation for health, dental, and vision insurance paid on Mr. Dalton’s behalf by the Company. During the year ended September 30, 2006, the Company issued 535,714 shares of common stock to Mr. Dalton valued at \$321,428. In addition, the Company granted the following warrants to Mr. Dalton: 500,000 warrants with an exercise price of \$0.56 per share valued at \$342,830, the remaining 1,250,000 of the 2,500,000 warrants with an exercise price of \$0.54 per share vested for a value of \$536,026, and 250,000 warrants with an exercise price of \$0.60 per share valued at \$137,342. Amounts shown do not include consideration and fees paid to ADP Management in connection with the credit line agreement. See Item 12 “Certain Relationships and Related Transactions and Director Independence.”
- (4) Column (h) includes additional compensation for health, dental, and vision insurance paid on his behalf. During the year ended September 30, 2006, the Company granted 1,000,000 options with an exercise price of \$0.60 per share valued at \$549,369. As of September 30, 2007, 200,000 of these options were vested.
- (5) Column (h) includes amounts paid for health, dental, and vision insurance.

OUTSTANDING EQUITY AWARDS AT FISCAL 2007 YEAR-END

Options and Warrants Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options and Warrants (#) Exercisable	Number of Securities Underlying Unexercised Options and Warrants (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options and Warrants (#)	Option and Warrants Exercise Price (\$)	Option and Warrants Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
David Derrick	0 (1)	1,000,000	0	\$2.15 (1)	8/28/2012 (1)	1,000,000	\$620,000	1,000,000	\$620,000
Michael Acton	350,000 (2)	250,000 (2)	250,000 (2)	\$0.60 to \$0.70 (2)	Various Dates (2)	250,000	\$542,500	250,000	\$542,500
Jim Dalton (3)	0 (1)	1,000,000	0	\$2.15 (1)	8/28/2012 (1)	1,000,000	\$620,000	1,000,000	\$620,000
Randy Olshen (4)	200,000	800,000	800,000	\$0.60	05/17/2011	800,000	1,736,000	800,000	1,736,000

Note: Market value is based on the fair market value of our common stock on September 30, 2007 in the amount of \$2.77 per share.

1) The following warrants issued to Mr. Derrick were outstanding as of September 30, 2007:

<u>Name</u>	<u>Grant Date</u>	<u>Exp. Date</u>	<u>Exercise Price</u>	<u># of Warrants</u>	<u>Vested</u>	<u>Unvested</u>
David Derrick	8/29/2007	8/28/2012	\$2.15	<u>1,000,000</u>	<u>0</u>	<u>1,000,000</u>
Totals				<u>1,000,000</u>	<u>0</u>	<u>1,000,000</u>

During the year ended September 30, 2007, Mr. Derrick exercised 6,386,155 warrants issued to him and an entity controlled by him providing \$4,180,000 of cash to the Company.

2) The following warrants issued to Mr. Acton were outstanding as of September 30, 2007:

<u>Name</u>	<u>Grant Date</u>	<u>Exp. Date</u>	<u>Exercise Price</u>	<u># of Warrants</u>	<u>Vested</u>	<u>Unvested</u>
Michael Acton	8/25/2005	8/24/2010	\$0.70	100,000	100,000	0
Michael Acton	5/18/2006	5/17/2011	\$0.60	<u>500,000</u>	<u>250,000</u>	<u>250,000</u>
Totals				<u>600,000</u>	<u>350,000</u>	<u>250,000</u>

Subsequent to September 30, 2007, Mr. Acton exercised 350,000 warrants providing \$220,000 of cash to the Company.

3) The following warrants issued to Mr. Dalton were outstanding as of September 30, 2007:

<u>Name</u>	<u>Grant Date</u>	<u>Exp. Date</u>	<u>Exercise Price</u>	<u># of Warrants</u>	<u>Vested</u>	<u>Unvested</u>
James Dalton	8/29/2007	8/28/2012	\$2.15	<u>1,000,000</u>	<u>0</u>	<u>1,000,000</u>
Totals				<u>1,000,000</u>	<u>0</u>	<u>1,000,000</u>

During the year ended September 30, 2007, Mr. Dalton exercised 6,386,155 warrants issued to him and an entity controlled by him providing \$4,180,000 of cash to the Company.

4) The following options issued to Mr. Olshen were outstanding as of September 30, 2007:

<u>Name</u>	<u>Grant Date</u>	<u>Exp. Date</u>	<u>Exercise Price</u>	<u># of Options</u>	<u>Vested</u>	<u>Unvested</u>
Randy Olshen	5/18/2006	5/17/2011	\$0.60	<u>1,000,000</u>	<u>200,000</u>	<u>800,000</u>
Totals				<u>1,000,000</u>	<u>200,000</u>	<u>800,000</u>

Subsequent to September 30, 2007, Mr. Olshen exercised 200,000 options providing \$120,000 of cash to the Company.

Employment Agreements

We have no employment agreements with any executive officers at this time. By agreement, however, the salaries of Mr. Derrick and Mr. Dalton are paid by ADP Management. The Company pays ADP Management a management fee, which is used by ADP Management to offset the salaries paid to these two officers of the Company.

Stock Option Grants for the Year Ended September 30, 2007

During the year ended September 30, 2007, the Company granted the following warrants to executive officers:

<u>Name</u>	<u>Grant Date</u>	<u>Exp. Date</u>	<u>Exercise Price</u>	<u># of Options</u>	<u>Status</u>
David Derrick	3/6/2007	7/4/2007	\$1.30	1,500,000	Exercised
James Dalton	3/6/2007	7/4/2007	\$1.30	1,500,000	Exercised
David Derrick	8/29/2007	8/28/2012	\$2.15	1,000,000	Unvested
James Dalton	8/29/2007	8/28/2012	\$2.15	<u>1,000,000</u>	Unvested
Totals				<u>5,000,000</u>	

The following table sets forth certain information, including the fiscal year-end value of unexercised stock options held by the Named Executive Officers, as of September 30, 2007. We have not granted any stock appreciation rights ("SARs").

Aggregated Option Exercises in Last Fiscal Year And Fiscal Year-End Option Values

<u>Name</u>	<u>Shares Acquired on Exercise (#)</u>	<u>Value Realized (\$)</u>	<u>Number of Securities Underlying Unexercised Options at 9/30/2007 Exercisable/ Unexercisable</u>	<u>Value of Unexercised In-the-Money Options/SARs at 9/30/2007 (\$) Exercisable/ Unexercisable (1)</u>
David G. Derrick (2)	6,386,155	-	0/1,000,000	\$0/\$620,000
James J. Dalton (2)	6,386,155	-	0/1,000,000	\$0/\$620,000
Randy Olshen (3)	-	-	200,000/800,000	\$434,000/\$1,736,000
Michael G. Acton (4)	100,000	-	350,000/250,000	\$749,500/\$542,500

(1) Value is based on the fair market value of our common stock on September 30, 2007, in the amount of \$2.77 per share.

- (2) Mr. Derrick and Mr. Dalton each hold 1,000,000 warrants with exercise prices of \$2.15 per share. None of the 1,000,000 warrants were vested at September 30, 2007. During the year ended September 30, 2007, Mr. Derrick and Mr. Dalton each exercised 6,386,155 warrants with exercise prices ranging from \$0.54 to \$1.30 per share. Warrants issued to ADP Management are included in both Mr. Derrick and Mr. Dalton's options in the table above. See "Certain Relationships and Related Transactions."
- (3) The exercise price of these options is \$0.60 per share.
- (4) The exercise prices of these options range from \$0.54 to \$0.70 per share.

Stock Option Grants in Fiscal Year 2006

During fiscal year 2006, the Company granted 750,000 warrants to each of Mr. Derrick and Mr. Dalton, with exercise prices ranging from \$0.56 to \$0.60 per share. All of these warrants are five-year warrants and expire in 2011. In addition, 1,250,000 options at \$0.54 per share held by each of Messrs. Derrick and Dalton vested during the fiscal year ended September 30, 2006.

The following table sets forth certain information, including the fiscal year-end value of unexercised stock options held by the Named Executive Officers, as of September 30, 2006. We have not granted any stock appreciation rights ("SARs").

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at 9/30/2007 Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options/SARs at 9/30/2007 (\$) Exercisable/ Unexercisable (1)
David G. Derrick (2)	-	-	4,886,155/0	\$6,954,925/\$0
James J. Dalton (2)	-	-	4,886,155/0	\$6,954,925/\$0
Randy Olshen (3)	-	-	25,000/975,000	\$34,570/\$1,355,250
Bryan Dalton (4)	-	-	25,000/975,000	\$34,570/\$1,355,250
Michael G. Acton (5)	-	-	200,000/500,000	\$274,000/\$695,000

- (1) Value is based on the fair market value of our common stock on September 30, 2006 in the amount of \$1.99 per share.
- (2) Mr. Derrick and Mr. Dalton hold 3,250,000 options with exercise prices ranging from \$0.54 to \$0.60 per share. In addition, 1,636,155 options ranging from \$0.54 to \$0.75 per share issued to ADP Management are included in both Mr. Derrick and Mr. Dalton's options in the table above. See "Certain Relationships and Related Transactions."
- (3) The exercise price of these options is \$0.60 per share.
- (4) The exercise price of these options is \$0.60 per share.
- (5) The exercise prices of these options range from \$0.54 to \$0.70 per share.

Director Compensation

The following table summarizes the compensation of the non-employee directors of the Company for the fiscal year ended September 30, 2007.

Name (a)	Fees earned or paid in cash (\$) (b)	Stock awards (\$) (c)	Warrants awards (\$) (d)	Non-equity incentive plan compensation (\$) (e)	All other compensation (\$) (f)	Total (\$) (g)
Peter McCall	\$60,000	0	\$78,372	\$0	\$0	\$138,372
Robert Childers	\$60,000	0	\$156,744	\$0	\$0	\$216,744
Larry G. Schafran	\$60,000	0	\$0	\$0	\$0	\$60,000
David P. Hanlon	\$60,000	0	\$0	\$0	\$0	\$60,000

Non-employee directors are paid \$5,000 per month and receive an annual grant of options to acquire 50,000 shares of common stock for each completed year of service on the board. We also reimburse the reasonable travel expenses of members for their attendance at the meetings of the board and meetings of the stockholders. During the year ended September 30, 2007, the independent members of the Board of Directors received an additional 50,000 options at fair market value.

In August 2007, the Company granted 500,000 warrants to non-employee members of the Board of Directors for services to be rendered in fiscal year 2008. The value for the warrants granted of \$967,081 was deferred and will be amortized over the 2008 fiscal year. These warrants were not included in the table above.

The two non-independent directors, Messrs. Derrick and Dalton received no additional compensation for their service as directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

This Item 11 sets forth information known to us with respect to the beneficial ownership of our common stock as of December 14, 2007. We have determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we include shares of common stock subject to options and warrants held by that person that are currently exercisable or will become exercisable within 60 days after December 14, 2007, while those shares are not included for purposes of computing percentage ownership of any other person. Unless otherwise indicated, the persons and entities named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

Security Ownership of Certain Beneficial Owners

The following table sets forth information for any person (including any “group”) who is known to us to be the beneficial owner of more than 5% of our common stock, other than the named executive officers or directors of the Company.

Title of Class	Name and Address of Beneficial Owner	Amount and nature of beneficial ownership	Percent of Class
Common	VATAS Holdings GmbH(1) Friedrichstrasse 95 10117 Berlin, Germany	17,678,926	13.96%

(1) Includes 10,678,926 shares of common stock, and 7,000,000 shares issuable upon exercise of warrants.

Security Ownership of Management

We have two classes of voting equity securities, the common stock and Series B preferred stock. In addition, we have a class of nonvoting Series A preferred stock that is convertible into common stock. The following table sets forth information as of December 14, 2007, as to the voting securities beneficially owned by all

directors and nominees named therein, each of the named executive officers, and directors and executive officers as a group.

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and nature of beneficial ownership</u>	<u>Percent of Class</u>
Common	David G. Derrick (1)	5,806,664	4.45%
	James Dalton (2)	5,718,387	4.38%
	Michael G. Acton (3)	800,507	*
	Peter McCall (4)	797,733	*
	Robert Childers (5)	1,068,657	*
	Larry Schafran (6)	157,800	*
	Randy Olshen	-	*
	David Hanlon	195,035	*
	Officers and Directors as a Group (8 persons) (7)	10,176,500	7.80%

*Less than 1% ownership percentage.

- (1) Mr. Derrick is the Chief Executive Officer and Chairman of the Board of Directors. Includes 1,021,714 shares of common stock and 416,667 warrants that have vested. In addition, 4,368,283 shares of common stock in the name of ADP Management, an entity controlled by Messrs. Derrick and Dalton, are included.
- (2) Mr. Dalton is the President of RemoteMDx and Vice President on the Board of Directors. Includes 933,437 shares of commons tock and 416,667 warrants that have been vested. In addition, 4,368,283 shares of common stock in the name of ADP Management, an entity controlled by Messrs. Derrick and Dalton, are included.
- (3) Mr. Acton is the Chief Financial Officer of the Company.
- (4) Mr. McCall is a director. Includes 294,400 shares of common stock and 503,333 shares issuable upon exercise of warrants held by Mr. McCall.
- (5) Mr. Childers is a director. Includes (a) 343,143 shares of common stock owned of record by the Robert E. Childers Living Trust and 255,514 shares owned of record by Mr. Childers. In addition, 470,000 shares issuable upon exercise of stock warrants held by Mr. Childers have been included.
- (6) Mr. Schafran is a director. Includes 7,800 shares of common stock owned of record by Mr. Schafran. In addition, 157,000 shares of common stock issuable upon exercise of stock warrants held by Mr. Schafran have been included.
- (7) Duplicate entries eliminated.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of September 30, 2007, our most recently completed fiscal year, with respect to compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance, aggregated as follows:

- All compensation plans previously approved by security holders; and
- All compensation plans not previously approved by security holders.

Equity Compensation Plan Information

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance</u>
Equity compensation plans approved by security holders	10,000,000	\$1.35	9,855,000

The 2006 RemoteMDx, Inc. Stock Incentive Plan

On July 10, 2006, the Board of Directors approved the 2006 RemoteMDx, Inc Stock Incentive Plan (“2006 Plan”). The stockholders approved the 2006 Plan on July 10, 2006. Under the 2006 Plan, the Company may issue stock options, stock appreciation rights, restricted stock awards and other incentives to our employees, officers and directors. The 2004 Plan provides for the award of incentive stock options to our key employees and directors and the award of nonqualified stock options, stock appreciation rights, bonus rights, and other incentive grants to employees and certain non-employees who have important relationships with us or our subsidiaries. A total of 10,000,000 shares are authorized for issuance pursuant to awards granted under the 2006 Plan. During the year ended September 30, 2007, 145,000 options were granted under this plan to employees.

Item 12. Certain Relationships and Related Transactions and Director Independence

The following discussion summarizes transactions between the Company and related parties.

ADP Management Line of Credit Arrangement

As of September 30, 2007, the Company owed \$239,763 to ADP Management, an entity owned and controlled by Mr. Derrick and Mr. Dalton, two of the Company’s officers and directors, under a line-of-credit agreement. Outstanding amounts on the line of credit accrue interest at 11% and are due on August 31, 2009. During the year ended September 30, 2007, the line of credit increased by \$698,524 due to a monthly management fee, including Mr. Derrick and Mr. Dalton’s salary, owed to ADP Management and expenses incurred by ADP Management that are reimbursable by the Company. The Company made cash repayments during the year totaling \$503,311. During the year ended September 30, 2007, the Company increased the line of credit from \$500,000 to \$5,000,000, including any guarantees made by ADP Management. As a result, ADP Management was granted 500,000 restricted shares of the Company’s common stock and an increase in the annual interest rate from 5% to 11%.

On March 6, 2007, the Board of Directors granted 1,500,000 options for 120 days to each of Mr. Derrick and Mr. Dalton with an exercise price of \$1.30 per share. These options were granted in connection with their assistance in providing the Company with additional capital.

Director Independence

As of the date of this Report, the Company’s common stock traded on the OTC Bulletin Board (the “Bulletin Board”). The Bulletin Board does not impose on the Company standards relating to director independence or the makeup of committees with independent directors, or provide definitions of independence. Nevertheless, the Company has undertaken to appoint four individuals to its Board of Directors, Messrs. Schafran, McCall, Childers and Hanlon, who are independent under the NASDAQ Marketplace Rules and those standards applicable to companies trading on NASDAQ.

Specifically, none of Mr. Schafran, Mr. Hanlon, Mr. Childers or Mr. McCall:

- has been any time during the past three years employed by the Company or by any parent or subsidiary of the Company;
- has accepted or has a family member who accepted any compensation from the Company in excess of \$60,000 during any period of twelve consecutive months within the three years preceding the

- determination of independence, other than compensation for board or board committee service;
- is a family member of an individual who is, or at any time during the past three years was, employed by the Company as an executive officer;
- is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more:
- is, or has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company serve on the compensation committee of such other entity; or
- is, or has a family member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

The Company has the following committees comprised of the following directors: Audit Committee: Mr. Schafran, Mr. McCall, and Mr. Hanlon; Compensation Committee: Mr. Childers, Mr. McCall and Mr. Schafran; and Nominating Committee: Mr. Schafran, Mr. Childers and Peter McCall

Item 13. Exhibits

The following exhibits are filed herewith or are incorporated by reference to exhibits previously filed with the Commission:

(a) Exhibits

<u>Exhibit Number</u>	<u>Title of Document</u>
3.01	Articles of Incorporation (incorporated by reference to the Company's Registration Statement and Amendments thereto on Form 10-SB, effective December 1, 1997).
3.01(1)	Amendment to Articles of Incorporation for Change of Name (previously filed as Exhibit on Form 10-KSB for the year ended September 30, 2001)
3.01(2)	Amendment to Articles of Incorporation Amending Rights and Preferences of Series A Preferred Stock (previously filed as Exhibit on Form 10-KSB for the year ended September 30, 2001)
3.01(3)	Amendment to Articles of Incorporation Adopting Designation of Rights and Preferences of Series B Preferred Stock (previously filed as Exhibit on Form 10-QSB for the six months ended March 31, 2002)
3.01(4)	Certificate of Amendment to the Designation of Rights and Preferences Related to Series A 10% Cumulative Convertible Preferred Stock of RemoteMDx, Inc. (incorporated by reference to the Company's annual report on Form 10-KSB for the year ended September 30, 2001)
3.01(5)	Certificate of Amendment to the Designation of Rights and Preferences Related to Series C 8% Convertible Preferred Stock of RemoteMDx, Inc. (incorporated by reference to the Company's Current Report on Form 8-K, filed with the Commission on March 24, 2006)
3.01(6)	Articles of Amendment to Articles of Incorporation filed July 12, 2006 (previously filed as exhibits to the Company's current report on Form 8-K filed July 18, 2006, and incorporated herein by reference).
3.02	Bylaws (incorporated by reference to the Company's Registration Statement on Form 10-SB, effective December 1, 1997)

- 3.03 Articles of Amendment to the Fourth Amended and Restated Designation of Right and Preferences of Series A 10% Convertible Non-Voting Preferred Stock of RemoteMDx, Inc. (previously filed as Exhibit on Form 10-QSB for the nine months ended June 30, 2007, filed in August 2007).
- 3.04 Articles of Amendment to the Designation of Right and Preferences of Series A Convertible Redeemable Non-Voting Preferred Stock of SecureAlert, Inc. (previously filed as Exhibit on Form 10-QSB for the nine months ended June 30, 2007, filed in August 2007).
- 4.01 2006 Equity Incentive Award Plan (previously filed in August 2006 the Form 10-QSB for the nine months ended June 30, 2006)
- 9.01 Voting Trust Agreement (see Exhibit 10.24)
- 10.01 Distribution and Separation Agreement (incorporated by reference to the Company's Registration Statement and Amendments thereto on Form 10-SB, effective December 1, 1997).
- 10.02 1997 Stock Incentive Plan of the Company, (incorporated by reference to the Company's Registration Statement and Amendments thereto on Form 10-SB, effective December 1, 1997).
- 10.03 1997 Transition Plan (incorporated by reference to the Company's Registration Statement and Amendments thereto on Form 10-SB, effective December 1, 1997).
- 10.04 Securities Purchase Agreement for \$1,200,000 of Series A Preferred Stock (incorporated by reference to the Company's Registration Statement and Amendments thereto on Form 10-SB, effective December 1, 1997)
- 10.05 Loan Agreement (as amended) dated June 2001 between ADP Management and the Company (incorporated by reference to the Company's annual report on Form 10-KSB for the year ended September 30, 2001)
- 10.06 Loan Agreement (as amended and extended) dated March 5, 2002 between ADP Management and the Company, effective December 31, 2001 (filed as an exhibit to the Company's quarterly report on Form 10-QSB for the quarter ended December 31, 2001)
- 10.07 Agreement with ADP Management, Derrick and Dalton (April 2003) (previously filed as Exhibit on Form 10-QSB for the six months ended March 31, 2003)
- 10.08 Security Agreement between Citizen National Bank and the Company (previously filed on Form 8-K in July 2006).
- 10.09 Promissory Note between Citizen National Bank and the Company (previously filed on Form 8-K in July 2006).
- 10.10 Common Stock Purchase Agreement dated as of August 4, 2006 (previously filed as an exhibit to the Company's current report on Form 8-K filed August 7, 2006 and incorporated herein by reference).
- 10.11 Change in Terms Agreement between Citizen National Bank and the Company (previously filed as Exhibit on Form 10-KSB for the year ended September 30, 2006)
- 10.12 Securities Purchase Agreement between the Company and VATAS Holding GmbH, a German limited liability company (previously filed on Form 8-K in November 2006).
- 10.13 Common Stock Purchase Warrant between the Company and VATAS Holding GmbH dated November 9, 2006 (previously filed as Exhibit on Form 10-QSB for the three months ended December 31, 2006, filed in February 2007).

- 10.14 Settlement Agreement and Mutual Release between the Company and Michael Sibbett and HGR Enterprises, LLC, dated as of February 1, 2007 (previously filed as Exhibit on Form 10-QSB for the three months ended December 31, 2006, filed in February 2007).
- 10.15 Distributor Sales, Service and License Agreement between the Company and Seguridad Satelital Vehicular S.A. de C.V., dated as of February 5, 2007 (previously filed as Exhibit on Form 10-QSB for the three months ended December 31, 2006, filed in February 2007).
- 10.16 Distributor Agreement between the Company and QuestGuard, dated as May 31, 2007. Portions of this exhibit were redacted pursuant to a request for confidential treatment filed with the Securities and Exchange Commission (previously filed as Exhibit on Form 10-QSB for the nine months ended June 30, 2007, filed in August 2007).
- 10.17 Stock Purchase Agreement between the Company and Midwest Monitoring & Surveillance, Inc., dated effective December 1, 2007 (previously filed as Exhibit on Form 10-KSB for the year ended September 30, 2007, filed in January 2008).
- 10.18 Stock Purchase Agreement between the Company and Court Programs, Inc., Court Programs of Florida Inc., and Court Programs of Northern Florida, Inc., dated effective December 1, 2007 (previously filed as Exhibit on Form 10-KSB for the year ended September 30, 2007, filed in January 2008).
- 10.19 Sub-Sublease Agreement between the Company and Cadence Design Systems, Inc., a Delaware corporation, dated March 10, 2005.
- 10.20 Patent Assignment Agreement between Futuristic Medical Devices, LLC, dated September 14, 2007.
- 10.21 Patent Assignment Agreement between Futuristic Medical Devices, LLC, dated September 14, 2007.
- 10.22 Patent Assignment Agreement between Futuristic Medical Devices, LLC, dated September 14, 2007.
- 10.23 Patent Assignment Agreement between Futuristic Medical Devices, LLC, dated December 20, 2007.
- 10.24 Stock Purchase Agreement (sale of Volu-Sol Reagents Corporation shares to Futuristic Medical, LLC), dated January 15, 2008, including voting agreement.
- 10.25 Change in Terms Agreement between Citizen National Bank and the Company, dated March 14, 2008.
- 10.26 Statement of Work from Wireless Endeavors (a/k/a neXaira or Puracom), dated January 8, 2005.
- 10.27 Terms and Conditions of the agreement between Spectrum Design Solutions, Inc. And the Company, dated April 30, 2007.
- 10.28 Contract Agreement between Dynamic Source Manufacturing and the Company, dated September 18, 2006.
- 10.29 Distribution Agreement between Electronic Monitoring Services Corporation and the Company, dated September 20, 2007.
- 10.30 Distribution Agreement between Security Investment Holdings, LLC and the Company, dated December 28, 2006.

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| 14 | Code of Business Conduct and Ethics (previously filed as Exhibit on Form 10-KSB for the year ended September 30, 2007, filed in January 2008). |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 31.1 | Certification of President and Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002 |
| 32 | Certification under Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. SECTION 1350) |

Item 14. Principal Accountant Fees and Services

For the years ended September 30, 2007 and 2006, Hansen, Barnett and Maxwell (“HBM”) provided audit services for the Company.

Audit Fees

Audit services consist of the audit of the annual consolidated financial statements of the Company, and other services related to SEC filings and registration statements filed by the Company and its subsidiaries and other pertinent matters. Audit fees paid to HBM for fiscal years 2007 and 2006 totaled approximately \$98,000 and \$94,000, respectively.

Tax Fees, Audit Related Fees, and All Other Fees

HBM has not provided any consulting services (including tax consulting and compliance services) or any financial information systems design and implementation services to the Company in fiscal years 2007 and 2006.

SIGNATURES

In accordance with Section 13 and/or 15(d) of the Securities Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RemoteMDx, Inc.

By: /s/ David G. Derrick
David G. Derrick, Chief Executive Officer

Dated: June 18, 2008

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ David Derrick</u> David G. Derrick	Director, Chairman, and Chief Executive Officer (principal executive officer)	June 18, 2008
<u>/s/ James Dalton</u> James Dalton	Director, Vice Chairman, President	June 18, 2008
<u>/s/ Peter McCall</u> Peter McCall	Director	June 18, 2008
<u>/s/ Robert E. Childers</u> Robert E. Childers	Director	June 18, 2008
<u>/s/ Larry G. Schafran</u> Larry G. Schafran	Director	June 18, 2008
<u>/s/ David P. Hanlon</u> David P. Hanlon	Director	June 18, 2008
<u>/s/ Michael G. Acton</u> Michael G. Acton	Chief Financial Officer (principal accounting officer)	June 18, 2008

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, David G. Derrick, certify that:

1. I have reviewed this annual report on Form 10-KSB/A of RemoteMDx, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 18, 2008

/s/ David G. Derrick
David G. Derrick
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael G. Acton, certify that:

1. I have reviewed this annual report on Form 10-KSB/A of RemoteMDx, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 18, 2008

/s/ Michael G. Acton
Michael G. Acton
Chief Financial Officer (Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of RemoteMDx, Inc. on Form 10-KSB/A for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David G. Derrick, Chief Executive Officer, and Michael G. Acton, Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ David G. Derrick
David G. Derrick
Chief Executive Officer
RemoteMDx, Inc.

/s/ Michael G. Acton
Michael G. Acton
Chief Financial Officer (Principal Accounting Officer)

Dated: June 18, 2008