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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): August 4, 2011.

SECUREALERT, INC.

(Exact name of registrant as specified in its charter)

Commission File No. 0-23153

Utah

(State or other jurisdiction of
incorporation)

87-0500306

(IRS Employer Identification
Number)

150 West Civic Center Drive, Suite 400, Sandy, Utah 84070
(Address of principal executive offices, Zip Code)

Registrant's telephone number, including area code: (801) 451-6141

Former name or former address, if changed since last report: Not Applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

On August 4, 2011, with an effective date of July 1, 2011, SecureAlert, Inc., a Utah corporation (“Registrant”), entered into an agreement (the “Agreement”) with Borinquen Container Corp., a corporation organized under the laws of the Commonwealth of Puerto Rico (“Borinquen”) and Borinquen’s wholly-owned subsidiary, International Surveillance Services Corporation, also a Puerto Rico corporation (“ISS”). At the time of the transaction, Borinquen was a significant shareholder of the Registrant, the beneficial owner of approximately 7.5 percent of the issued and outstanding shares or common share equivalents of the Registrant. ISS was a distributor of the Registrant, operating under a distribution agreement granting ISS exclusive rights to market and sell the Registrant’s offender monitoring devices and services in South and Central America, the Caribbean, Spain and Portugal (the “Territory”).

Under the Agreement, the Registrant acquired from Borinquen all of the issued and outstanding capital stock of ISS, which will now operate as a wholly-owned subsidiary of Registrant. In consideration for the transfer and sale of the shares of ISS, the Registrant paid the following consideration:

1. 62,000,000 restricted shares of Registrant’s common stock, \$0.0001 par value per share, valued at the current market price of approximately \$0.08 per share, or \$4,960,000; and
2. A royalty payable for 20 years pursuant to the terms of a Royalty Agreement of even date with the Agreement (the “Royalty Agreement”), in an amount equal to 20 percent of the net revenues (defined in the Royalty Agreement) from the sale or lease of the Registrant’s products and services within the Territory. The royalty payments are due quarterly and the term of the Royalty Agreement expires June 30, 2031.

As a consequence of this transaction, the previous distribution agreement between the Registrant and ISS was terminated. That agreement had provided for payment of commissions to ISS equal to 50 percent of net revenues within the Territory, with the exception of net revenues from the Commonwealth of the Bahamas and Mexico, where the commission payable to ISS was to be 30 percent of net revenues. The Agreement contained mutual releases, including releases granted by Borinquen of certain guarantees made by former officers and directors of the Registrant as security for the Registrant’s performance under earlier agreements with Borinquen.

Under the terms of the Royalty Agreement, if the Registrant does not make royalty payments to Borinquen as required by the Royalty Agreement, the prior royalty rates (50 percent and 30 percent) will apply and the distribution rights previously held by ISS will be reconveyed to Borinquen.

The Registrant has, at its sole option, a right (“Purchase Option”) to terminate this Royalty Agreement for either a payment of \$15,000,000 in cash or in shares of common stock valued at \$0.083 per share. The Purchase Option may be exercised by the Registrant on or before December 31, 2011, unless otherwise agreed to and mutually modified between the parties.

As a result of the issuance of the Registrant’s shares to Borinquen under the Agreement, Borinquen’s beneficial ownership in the Registrant is now equal to approximately 17.8 percent of the issued and outstanding shares of Registrant. Borinquen has filed a Schedule 13G with the Securities and Exchange Commission to disclose its ownership interest in Registrant (filed August 2, 2011).

Item 2.01 Completion of Acquisition or Disposition of Assets.

On August 4, 2011, the Registrant acquired all of the issued and outstanding shares of the capital stock of International Surveillance Services Corporation, a Puerto Rico corporation (“ISS”) pursuant to a written agreement (“Agreement”) between the Registrant and the sole stockholder of ISS, Borinquen Container Corporation, a Puerto Rico corporation (“Borinquen”). The primary assets of ISS are distribution agreements entered into as the representative of the Registrant in countries within the territory consisting of Central and South America, the Caribbean, Spain and Portugal (the “Territory”), as well as certain operating assets consisting primarily of personal property, equipment, furniture and office supplies used in its business. ISS will now operate as a wholly-owned subsidiary of the Registrant. The consideration for the purchase of ISS was 62,000,000 shares of the Registrant’s authorized and previously unissued common stock. In addition, the Registrant entered into a Royalty Agreement with Borinquen pursuant to which the Registrant agreed to pay a royalty equal to 20 percent of net revenues within the Territory in quarterly payments through June 30, 2031.

At the time of the purchase of ISS from Borinquen, Borinquen was the beneficial owner of approximately 7.8 percent of the Registrant’s issued and outstanding shares. As a result of the transaction, Borinquen is now the beneficial owner of approximately 17.8 percent of the Registrant’s issued and outstanding shares.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired. Financial statements required to be filed under this Item 9.01(a) will be filed within 71 calendar days after the date that this initial report on Form 8-K is required to be filed.

(b) Pro forma financial information. The pro forma financial information that would be required pursuant to Rule 8-05 of Regulation S-X in connection with the Registrant's acquisition reported under this initial report on Form 8-K will be filed within 71 calendar days after the date that this initial report is required to be filed.

(c) Exhibits. The following documents are filed as exhibits to this report on Form 8-K:

10.1 Agreement, dated August 4, 2011, effective July 1, 2011, by and among Registrant, International Surveillance Services Corporation, and Borinquen Container Corp.

10.2 Royalty Agreement, effective July 1, 2011, by and between Registrant and Borinquen Container Corp.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SecureAlert, Inc.

By: /s/ John L. Hastings, III
John L. Hastings, III, Chief Executive Officer

Date: August 10, 2011

AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into effective as of the 1st day of July 2011, by and among SecureAlert, Inc., a Utah corporation formerly known as RemoteMDx, Inc. ("SecureAlert"), International Surveillance Services Corporation, a Puerto Rico corporation ("ISS"), and Borinquen Container Corp., a Puerto Rico corporation ("Borinquen"). Each of the named parties above is referred to herein as a "Party" and all are collectively referred to herein as the "Parties."

RECITALS

A. WHEREAS, effective September 20, 2007, SecureAlert and ISS entered into an Exclusive Distribution Agreement, which was subsequently amended and supplemented (the "Distribution Agreement");

B. WHEREAS, Borinquen is the holder of 4,900 shares of SecureAlert's Series D Convertible Preferred Stock (the "P Shares");

C. WHEREAS, Borinquen is the owner of all the issued and outstanding shares of stock of International Surveillance Services Corporation ("ISS"), a Puerto Rico corporation;

D. WHEREAS, David Derrick and James Dalton, former directors of SecureAlert, previously personally guaranteed certain obligations of SecureAlert under the Distribution Agreement and in connection with certain registration and other rights granted to Borinquen in connection with Borinquen's investment in SecureAlert, including its purchase of the P Shares and the obligations enumerated in a "letter agreement" dated July 13, 2009, as well as the obligations of SecureAlert under a \$1,000,000 debenture note dated July 14, 2009 payable to Borinquen, the sum of such guaranteed obligations totaling \$3,000,000 (the "Personal Guarantees");

E. WHEREAS, Sapinda, Ltd ("Sapinda") has entered into an Advisory and Funding Agreement as of April 1, 2011 to provide \$17,000,000 of equity or a combination of equity and debt to SecureAlert (the "Sapinda Investment").

F. WHEREAS, SecureAlert desires to acquire all of the issued and outstanding shares of ISS and Borinquen is willing to sell all such shares in consideration for the execution of a Royalty Agreement (the "Royalty Agreement") in favor of Borinquen as set forth in Paragraph 3(b), below and the other payments and undertakings of SecureAlert and the other Parties to this Agreement as provided below.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and releases set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Sale of Shares. Subject to the terms and conditions of this Agreement, Borinquen hereby assigns, conveys, sells and transfers to SecureAlert all of ISS's issued and outstanding shares of stock (the "ISS Shares").

2. Acceptance and Assumption. Subject to the terms and conditions of this Agreement, SecureAlert hereby accepts the transfer of the ISS shares. The parties acknowledge that, subject to the Right of Reversion under the Royalty Agreement, as provided in Paragraph 3(b) below, all of ISS's rights under the Distribution Agreement will be indirectly transferred and assigned to SecureAlert. The Parties agree that this Agreement is intended and has the effect of transferring to SecureAlert the rights of the "Distributor" in the Distribution Agreement.

3. Royalty Agreement ;Payments to Borinquen. As consideration for the Assignment and the other undertakings of Borinquen hereunder, SecureAlert shall make certain payments to Borinquen as provided in this Paragraph 4 and shall enter into a Royalty Agreement pursuant to which it shall pay to Borinquen a Royalty as provided below in subparagraph 3(b):

(a) Common Shares Issued to Borinquen. SecureAlert shall issue to Borinquen (or its designees) a total of 62,000,000 shares of SecureAlert Common Stock (the "Common Shares") as consideration for the purchase of the ISS shares. Borinquen warrants to SecureAlert that it is acquiring the Shares for its own account and not with a view towards their distribution within the meaning of Paragraph 2.5(a)(11) of the Securities Act of 1933, as amended (the "Securities Act"), in any manner that would be in violation of the Securities Act.

(b) Royalty Agreement. SecureAlert and Borinquen shall enter into a Royalty Agreement under the terms of which, from and after the execution of this Agreement SecureAlert shall pay to Borinquen a royalty (the "Royalty") in the amount equal to twenty percent (20%) of Net Revenues (defined below) from the sale and/or lease of products and services by SecureAlert or its affiliates in the territory consisting of Central and South America, the Caribbean, Spain, Portugal and all Spanish and Portuguese speaking countries in the world (the "Territory"). For purposes of this Paragraph 3, the term "Net Revenues" shall mean gross revenues from sale or lease of devices and monitoring services, less credits, and/or fees and commissions paid to independent agents in the Territory. The following terms, among others, shall apply to the payment of the Royalty to ISS:

(i) Payments of the Royalty Payment shall be made each month on or before the 15th day of the month for Net Revenues collected in the prior month.

(ii) The Royalty Agreement shall provide for the payment to ISS of Royalties as set forth above and shall be for an initial term of twenty years (through June 30, 2031) and shall include additional terms and conditions reasonably required to protect Borinquen's interests thereunder, including, without limitation, the right of Borinquen to conduct periodic audits of SecureAlert's operations in the Territory.

(iii) The Royalty Agreement shall provide for a right of reversion triggered by the failure of SecureAlert to make timely payment of the Royalty to Borinquen thereunder (the "Right of Reversion"). Under the Right of Reversion, subject to the terms and conditions contained in the Royalty Agreement, the exclusive distribution rights of ISS or its successor within the Territory shall be assigned to Borinquen for a fixed term expiring on June 30, 2031 in the event of SecureAlert's failure to make the Royalty payments required by the Royalty Agreement and this Paragraph 3(b) to provide for a split of Net Revenues (as defined above) of 50% to SecureAlert and 50% to ISS for all countries within the Territory except for Bahamas and Mexico, where the revenue split would be 70% to SecureAlert and 30% to Borinquen.

4. Closing. The payments and deliveries required or contemplated by Paragraph 4 of this Agreement shall occur as follows:

(a) A condition precedent to Closing of the transactions contemplated by this Agreement is the closing of the funding of the Sapinda Investment.

(b) On or before June 30, 2011, SecureAlert will issue and deliver the Common Shares to Borinquen and or its designees.

5. Common Stock. On July 15, 2011, following receipt of the Common Shares, Borinquen shall convert 2,900 P Shares into 17,400,000 shares of SecureAlert Common Stock (the "Conversion Shares"). Upon receipt of the Conversion Shares, Borinquen shall be the beneficial owner of a total of 79,400,000 shares of SecureAlert Common Stock.

6. Termination of Agreements. The Parties agree that subject to the full and timely receipt of the Common Shares and the execution and delivery of the Royalty Agreement, the Distribution Agreement, and any and all other obligations and understandings and agreements, including, without limitation, any and all security agreements and security interests, entered into by and among any of the Parties are hereby terminated in their entirety; provided, however, that such termination shall not relieve SecureAlert of its continuing obligations for the payment of the Royalty under Paragraph 4(b) and the Royalty Agreement and provided, further, that Borinquen shall have the Right of Reversion described in Paragraph 4(b) and contained in the Royalty Agreement.

7. Release. Upon receipt by Borinquen of the Common Shares and the Royalty Agreement executed by SecureAlert, each Party does hereby release, acquit and forever discharge each of the other Parties, and all of their agents, principals, servants, employees, firms, officers, directors, independent contractors, subsidiaries, affiliates, insurers, reinsurers, successors and assigns whether named herein or not (hereinafter "Released Parties"), from any and all actions, claims, losses, demands, damages, costs, losses of service, expenses, attorney fees, causes of action, suits or compensation of whatever kind or nature whether known or unknown, and the consequences thereof, whether developed or undeveloped, both to person and to property, which now exist or which may hereafter accrue, because of, arising out of, or in any way connected with the Distribution Agreement and allegations claiming breach of warranty, breach of contract and negligence related to the Distribution Agreement, the P Shares, and any other agreement or contract, including, without limitation, any guaranty given in connection with any agreement or contract, entered into by the Parties and any of them; provided, however, that the release granted hereunder shall not have the effect of releasing or discharging any Party from any of its obligations for payments under Paragraph 4 or from any rights that any of them may have or acquired under the Royalty Agreement.

8. Representations of SecureAlert. SecureAlert and Borinquen, and each of them, represents and warrants that it possesses all rights and authority necessary to enter into and fulfill its obligations under this Agreement; that no third party has any claim to or right or interest in any of the assets or other property included in the Assignment, and that the same have not been encumbered or hypothecated or otherwise transferred or sold.

9. Representations and Warranties of Borinquen and ISS. The representations and warranties of Borinquen and ISS are set forth in the attached Exhibit C, by this reference incorporated in and made part hereof. Borinquen and ISS and each of their representative owners and control persons represent and warrant that such representations and warranties are true and correct at the date hereof and that the same will continue to be true and accurate following the execution hereof.

10. Additional Actions. Each of the Parties hereby covenants and agrees, at its own cost and expense, to execute and deliver, at the request of any other Party hereto, such additional documents and instruments of transfer and assignment and the security interests granted hereunder and to take such other action as such other Party may reasonably request to more effectively consummate the Assignment and the other transactions contemplated by this Agreement.

11. Indemnification; Remedies:

(a) **Survival; Right to Indemnification Not Affected by Knowledge.** All representations, warranties, covenants, and obligations in this Agreement, the Exhibits, schedules, the supplements, and any other certificate or document delivered pursuant to this Agreement will survive the Closing. Certain capitalized terms used below are defined in the attached Exhibit C. The right to indemnification, payment of Damages (as defined below) or any other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted with respect to, or any Knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, payment of Damages, or any other remedy based on such representations, warranties, covenants, and obligations.

(b) **Indemnification and Payment of Damages by Borinquen.** Borinquen will defend, indemnify and hold harmless SecureAlert, ISS, and their respective representatives, shareholders and Related Persons (collectively, the "Indemnified Persons") for, and will pay to the Indemnified Persons the amount of, any Liabilities (including incidental and consequential damages), Loss or diminution of value, or expenses, whether or not involving a third-person claim (collectively, "Damages"), arising, directly or indirectly, from or in connection with:

(i) any Default of any representation or warranty made by Borinquen or ISS in this Agreement, the Exhibits or any other certificate or document delivered by ISS or Borinquen pursuant to this Agreement;

(ii) any Default of any representation or warranty made by Borinquen or ISS in this Agreement as if such representation or warranty were made on and as of the Closing Date

(iii) any Default by Borinquen or ISS of any covenant or obligation of such Party in this Agreement;

(iv) any product, or any service or business activity provided by ISS prior to the Closing Date;

(v) any claims made by a Third Party which are based upon facts alleged that, if true, would constitute a Default by Borinquen or ISS of any representation, warranty, covenant or obligation in this Agreement, the Exhibits or any other certificate or document delivered by Borinquen or ISS pursuant to this Agreement;

(vi) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such Person with Borinquen or ISS (or any Person acting on their behalf);

- (vii) any claim by any Person with whom the ISS or Borinquen or their respective Representatives had discussions regarding any Acquisition Proposal;
- (viii) any claim by either Borinquen or its estate, creditors, or others in respect of Taxes; or
- (ix) any claim under any Environmental Law.

The remedies provided in this Paragraph 10(b) will not be exclusive of or limit any other remedies that may be available to SecureAlert or the other Indemnified Persons.²³⁷

(c) Indemnification and Payment of Damages by SecureAlert. SecureAlert will defend, indemnify and hold harmless Borinquen, and will pay to Borinquen the amount of any Damages arising, directly or indirectly, from or in connection with (i) any Default of any representation or warranty made by SecureAlert in this Agreement, (ii) any Default by SecureAlert of any covenant or obligation of SecureAlert in this Agreement, or (iii) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by such Person with SecureAlert (or any Person acting on its behalf).

12. Miscellaneous.

(a) Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the Parties and their respective successors and assigns.

(b) Severability. If any part of any provision of this Agreement is invalid or unenforceable under applicable law, such provision shall be ineffective only to the extent of such invalidity or unenforceability without in any way affecting the remaining parts of such provision or this Agreement.

(c) Amendment. No amendment, supplement, modification, waiver or termination of this Agreement or any provision hereof shall be binding unless executed in writing by the Party to be charged therewith. No waiver of any of the provisions of this Agreement shall constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

(d) Counterparts. This Agreement may be executed by facsimile or electronically (e-mail) and in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Puerto Rico, without respect to the provisions concerning the conflict of laws that would otherwise result in the application of the substantive law of another jurisdiction.

(f) Attorneys' Fees. In the event of any lawsuit, action or proceeding brought by either Party for a breach of any term or provision hereof, or to enforce any term or provision hereof, the prevailing Party shall be entitled to reasonable attorneys' fees in addition to court costs and other expenses of litigation in said action or proceeding. For purposes of this Agreement, "prevailing Party" includes, without limitation, a Party who agrees to dismiss an action or proceeding upon the other Party's payment of the sums allegedly due or performance of the covenants allegedly breached, or who obtains substantially the relief sought.

(g) Incorporation of Recitals. The above Recitals are incorporated herein by reference as if fully set forth in the body of this Agreement, and are deemed to be made a part hereof.

13. Definitions. Certain capitalized terms in the Agreement shall be defined as provided in the attached Exhibit C by this reference made part hereof.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the Parties has caused this Assignment Agreement to be executed in its name and on its behalf by its duly authorized representative as of the date first set forth above.

SECUREALERT, INC.

A Utah corporation f/k/a
RemoteMDx, Inc.

By: /s/ John L. Hastings, III
NAME: John L. Hastings, III
ITS: President and CEO

BORINQUEN CONTAINER CORPORATION

A Puerto Rico Corporation

By: /s/ Hector Gonzalez
Name: Hector Gonzalez
ITS: Chairman of the Board of Directors

ROYALTY AGREEMENT

THIS ROYALTY AGREEMENT (the "Agreement") is entered into and effective July 1, 2011 (the "Effective Date"), by and between SECUREALERT, INC., a Utah Corporation ("Grantor"), with its principal executive office located at 150 West Civic Center Drive, Suite 400, Sandy, Utah 84070, and BORINQUEN CONTAINER CORPORATION ("Grantee"), with a principal mailing address of P.O. Box 364744, San Juan, Puerto Rico 00936-4744. Grantor and Grantee are also referred to individually as a "Party" and collectively as the "Parties."

WITNESSETH

WHEREAS, Grantee is the owner of all of the issued and outstanding shares of stock (the "ISS Shares") of International Surveillance Systems, Inc., a Puerto Rico corporation ("ISS");

WHEREAS, the Parties have entered into an Exclusive Distribution Agreement (herein referred to as the "Distribution Agreement") that grants ISS the exclusive right to promote, market and sell certain Products and Services within the Territory (as defined in Section 1 below);

WHEREAS, Grantor has agreed to acquire from Grantee and Grantee has agreed to sell to Grantor all of the ISS Shares under that certain agreement of even date herewith (the "Purchase Agreement"), and

WHEREAS, as part of the consideration to be paid to Grantee under the Purchase Agreement, Grantor has agreed to grant certain royalties to Grantee under the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants, representations and good and valuable consideration between the Parties, the adequacy of which is hereby acknowledged, the Parties agree as follows:

SECTION 1—DEFINITIONS

- 1.1 Products. "Products" shall mean electronic location monitoring devices used or provided by Grantor in its business using Grantor's intellectual property.
 - 1.2 Services. "Services" shall mean services relative to the monitoring, maintenance and repair of the Products.
 - 1.3 Territory. As used in this Agreement, the term "Territory" is defined in the attached Exhibit A.
 - 1.4 Net Revenues. As used in this Agreement the term "Net Revenues" shall mean gross revenues of Grantor (or any of its subsidiaries) derived within the Territory from the sales and/or lease of any and all electronic monitoring equipment and/or required monitoring center tracking services, and/or any other right to use the Products, less and limited to only those fees and/or commissions paid to independent sales or other third-party sales/monitoring agents within the territory. "Net Revenues" explicitly excludes Grantor's direct monitoring costs or expenses, which will not be in any way considered or deducted from the calculation of Net Revenues.
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SECTION 2—ROYALTIES

- 2.1 Royalty Granted. Grantor hereby grants to Grantee, and Grantee hereby accepts, the right to receive twenty percent (20%) of the Net Revenues, (the “Royalty”). These Royalties shall be paid not later than the fifteenth (15th) day of the following month and will be determined on the basis of the Net Revenues received the preceding month.
- 2.2 The Grantor, at its option, may pay the Royalty payments to the Grantee in cash or shares of Grantor’s Series D Convertible Preferred stock, valued at \$500 per share, or an equivalent number of shares of Common Stock of the Grantor (at a price of \$0.083 per Common Stock) from inception of this Agreement, until such time as the Grantor achieves positive cash flow, determined under Generally Accepted Accounting Principles (GAAP). However, the Grantor is required to pay the Royalty payments in cash upon achieving quarterly positive cash flow determined under GAAP.

SECTION 3-REPORTS; AUDIT RIGHTS

- 3.1 Grantor shall deliver to Grantee throughout the term of this Agreement monthly reports indicating the Net Revenues received and the Royalties payable each month in connection with such Net Revenues.
- 3.2 Grantee and its representatives shall have the right at its own expense, on not less than five (5) business days notice to Grantor, to examine and audit Grantor’s books and records with respect to the determination of the Royalty and any other fees payable to Grantee hereunder, and, at Grantee’s sole cost and expense, Grantee shall have the right to copy and duplicate such information as Grantee may require. In addition, if Grantee requests, Grantor shall deliver to Grantee, within five (5) business days following Grantee’s request therefore, a certificate from Grantor’s Chief Executive Officer or Chief Financial Officer certifying the accuracy of the information delivered by Grantor to Grantee. If any such audit discloses that the actual amount due to Grantee hereunder exceeds the amount paid, Grantee shall give written notice thereof to Grantor, including the calculations showing the amounts due to Grantee (the “Deficiency Notice”) and Grantor shall, within five (5) business days after receipt thereof, pay to Grantee all such additional Royalties and other fees due to Grantee. If the unpaid Royalties and other fees due as disclosed in such audit exceed the amount of the Royalty originally paid to Grantee by more than the greater of (i) \$50,000 or (ii) two (2%) percent of the amount originally paid, Grantor shall also then pay the cost of such audit and examination within thirty (30) days following Grantee’s request therefore. Otherwise Grantee shall bear the expense of the audit.

SECTION 4—TERM AND TERMINATION

- 4.1 Term. The Term of this Agreement shall be twenty (20) years commencing on the Effective Date.
- 4.2 Breach; Reversion Rights. If Grantor breaches any of the terms and conditions of this Agreement and fails to cure such breach within fifteen business days after receiving written notice of breach from Grantee, then Grantee shall have the right to immediately and automatically terminate this Agreement provided however, that if Grantor in “good faith” disputed the claim of breach, and is current in the payment of all Royalties due hereunder this Agreement, then no termination shall occur and the Parties agree to mediate the dispute. If the claim is for underpayment of Royalties pursuant to an audit conducted by Grantee under Section 3.2 above, and Grantor disputes the results of such an audit in “good faith”, Grantor may, after paying in full such Royalties as it agrees are due to Grantee, conduct its own audit at its own expense to verify the results of Grantee’s audit. If the Grantor’s audit does not verify the Grantee’s audit, then the Parties agree to mediate the dispute. If after mediation of an uncured breach the Parties remain in disagreement regarding the disputed breach, and Grantor has failed to pay the Royalties then due, then Grantor agrees that all of the rights granted to ISS in the Distribution Agreement shall automatically revert to Grantee (or to any wholly-owned subsidiary of Grantee designated by it) and Grantee or its designee shall immediately and automatically become the exclusive distributor of the Products and Services in the Territory, subject to the revenue sharing provisions of the Distribution Agreement, as heretofore modified and amended.
- 4.3 The Grantee herein extends a purchase option (the “Purchase Option”) to the Grantor, wherein the Grantor may, at its sole option, terminate this Royalty Agreement for either a payment of \$15,000,000 in cash, or the Grantor’s stock at an effective stock conversion price of \$0.083 per share. This Purchase Option may be exercised by the Grantor on or before December 31, 2011 at 5:00 P. M. US MST and expires thereafter, unless otherwise agreed to and mutually modified between the Parties.

SECTION 5—MISCELLANEOUS

- 5.1 Applicable Law. This Agreement shall be interpreted under the laws of the Commonwealth of Puerto Rico and any dispute arising under this Agreement shall be decided in the courts of the Commonwealth of Puerto Rico.
- 5.2 Severability. In the event that in any legal proceedings it is determined that any of the sections of this Agreement or any subsection, provision, or part thereof is invalid, such section, subsection, provision or part hereof shall be deemed to be severed from this Agreement for the purposes only of particular legal proceedings in question, and this Agreement, and the said section, subsection, provision or part thereof, shall in every other respect continue in full force and effect.

- 5.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and assigns.
- 5.4 Amendment. No amendment, supplement, modification, waiver or termination of this Agreement or any provision hereof shall be binding unless executed in writing by the Party to be charged therewith. No waiver of any provisions of this Agreement shall constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.
- 5.5 Counterparts. This Agreement may be executed by facsimile or electronically (e-mail) and in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.
- 5.6 Attorney's Fees. In the event of any lawsuit, action or proceeding brought by either Party for a breach of any term or provision hereof, or to enforce any term or provision hereof, the prevailing Party shall be entitled to reasonable attorney's fees in addition to court costs and other expenses of litigation in said action or proceeding. For purposes of this Agreement, "prevailing Party" includes, without limitation, a Party who agrees to dismiss an action or proceeding upon the other Party's payment of the sums allegedly due or performance of the covenants allegedly breached, or who obtains substantially the relief sought.
- 5.7 Continued Support. In recognition of the Royalty defined herein, Grantee, its affiliates and related individuals furthermore agree to support the ongoing good faith business interests, expansion and efforts of the Grantor within each of the countries of the territory, and to continue to facilitate governmental and/or strategic partner introductions when possible and where practical, when requested and/or opportunistic, as long as this creates no adverse condition or incremental financial burden upon either the Grantee or Grantor, through the duration of this Agreement.

(SIGNATURES APPEAR ON THE FOLLOWING PAGE)

IN WITNESS WHEREOF, the Parties have executed this Royalty Agreement as of the Effective Date.

GRANTOR:

SecureAlert, Inc.

By: /s/ John L. Hastings, III

Name: John Hastings

Title: President

GRANTEE:

Borinquen Container Corporation

By: /s/ Hector L. Gonzalez

Name: Hector L. Gonzalez

Title: President

Exhibit A

The Territory Defined

Latin & South American Countries

Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Falkland Islands, French Guiana, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Suriname, Uruguay, Venezuela

Caribbean Countries & Commonwealths

Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Bonaire, Saint Eustatius and Saba, British Virgin Islands, Cayman Islands, Cuba (above as well), Curaçao, Dominica, Dominican Republic (above as well), Grenada, Guadeloupe, Haiti, Jamaica, Martinique, Montserrat, Puerto Rico, Saint-Barthélemy, Saint Kitts and Nevis, Saint Lucia, Saint Martin (French part), Saint Vincent and the Grenadines, Saint Maarten (Dutch part), Trinidad and Tobago, Turks and Caicos Islands and United States Virgin Islands

Spain & Portugal

Spain, Portugal

[Note: Latin America information was sited from Wikipedia: http://en.wikipedia.org/wiki/Latin_America

South America and Caribbean information sited from United Nations Statistics Division: <http://unstats.un.org/unsd/methods/m49/m49regin.htm#americas>

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