

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

FORM 10-K

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

For the fiscal year ended September 30, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 333-135585

CLEARTRONIC, INC.

(Exact name of registrant as specified in its Charter)

Florida

(State or other jurisdiction of  
incorporation or organization)

65-0958798

(I.R.S. Employer Identification No.)

8000 North Federal Highway, Suite 100  
Boca Raton, FL

(Address of principal executive offices)

33487

(Zip Code)

Registrant's Telephone Number, Including Area Code: (561) 939-3300

Securities registered pursuant to Section 12(b) of the Act: **None**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period than the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a  
smaller reporting company)

Smaller reporting company

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. 344,000 as of March 31, 2011, based upon 132,307,666 shares at \$0.0026 per share as reported on the OTC Bulletin Board.

**(APPLICABLE ONLY TO CORPORATE REGISTRANTS)**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 138,328,378 shares of common stock as of December 29, 2011.

**PART I****Item 1. Business.*****Explanatory Note***

We do not currently have sufficient capital to engage in any of the present or proposed business activities described below. The costs to operate our business are approximately \$100,000 per month. In order for us to cover our monthly operating expenses, we must generate revenues of approximately \$300,000 per month. Accordingly, in the absence of revenues, we must secure \$100,000 in equity or debt capital each month to cover our overhead expenses. In order to remain in business for one year without any revenues, we must secure \$1.2 million in equity or debt capital. If we are unsuccessful in securing sufficient capital or revenues, we will be unable to resume any business activities. We have not obtained any commitments for additional capital, and there can be no assurance that we will be able to obtain any additional capital on terms not unfavorable to us, if at all.

To the extent not superseded by the disclosure in this Annual Report, the disclosure under captions "Risk Factors" and "Forward Looking Statements," in the registrant's prospectus dated August 7, 2008 filed pursuant to Rule 424(b)(3) under the Securities Act of 1933 is hereby incorporated by reference.

In this Annual Report, "Cleartronic," "we," "us," "our" and "the Company" refer to Cleartronic, Inc., a Florida corporation, and our wholly owned subsidiary, unless the context otherwise requires.

***Overview***

From March 2005 to October 2007, we were primarily engaged in providing telecommunications services to our customers employing Voice over Internet Protocol (VoIP) technology. In October 2007, we sold substantially all of our assets utilized in that business.

We are now a provider of Internet Protocol, or IP, unified group communication solutions. The products used in our solutions include our own proprietary products as well as products from other software and hardware vendors. An integral component of our unified group communication solution is WAVE™ software developed by Twisted Pair Solutions, Inc. of Seattle, WA.

We have designed and customized standards based audio and voice collaboration solutions for prospective customers as part of a unified group communication system. We have considered all aspects of a potential customer's information technology resources and existing telecommunications network in creating a design best suited for that customer. Substantially all of our designs for unified group communication solutions have required the integration of WAVE software as a core component. We have designed, built and installed eight unified group communication solutions as of the filing date of this Annual Report, all of which utilize WAVE software.

Revenues have been generated from the design, construction and installation of the systems. We have also generated revenues from maintenance and support contracts once a unified group communication solution has been installed and tested.

We have also sold our proprietary line of IP Gateways which we have branded the AudioMate 360 Series. These units are currently being sold directly to end-users and by Value Added Resellers ("VARs") to their end-user customers. As of the date of this filing, we have approximately 70 active VARs, and we have sold our gateways to more than 500 end-users in the United States and seventeen foreign countries.

In May 2008, we changed our corporate name from GlobalTel IP, Inc. to Cleartronic, Inc. All of our operations are conducted through our wholly owned subsidiary, VoiceInterop, Inc., a Florida corporation.

### ***Need for Unified Group Communications***

Although public safety personnel regularly use cellular phones, personal digital assistants (PDAs), and other commercial wireless devices and services, we believe that these devices are currently not sufficiently suited for public safety mission critical communications during critical incidents. As an example, hundreds of firefighters and police officers rushed to rescue victims from the attack on the World Trade Center on September 11, 2001. As police and firefighters swarmed the building searching for survivors, incident commanders outside were hearing warnings from helicopters circling the scene from above that the towers were beginning to glow and were dangerously close to collapse. Radio communications were a lifeline for the hundreds of police officers who received the word to evacuate the building—all but 60 police officers escaped with their lives. Tragically, hundreds of New York firefighters did not receive that warning because they were using a different radio communications system. Unaware of the impending collapse, at least 121 firefighters, most within striking distance of safety, died. A report from the University of New Hampshire based ATLAS Project stated, “From numerous interviews gathered as part of a fire department inquiry into the events of September 11th, it would appear that non-interoperability was at least partially responsible for the loss of 343 firefighters at the World Trade Center.”

We believe that public safety officials should not depend solely on commercial communication systems that can be overloaded and that may be unreliable during critical incidents when public demand can overwhelm the systems. Public safety officials have unique and demanding communications requirements. Optimal public safety radio communication systems require:

- Dedicated channels and priority access that is available at all times to handle unexpected emergencies.
- Reliable one-to-many broadcast capability, which is not generally available in cellular systems.
- Highly reliable and redundant networks that are engineered and maintained to withstand natural disasters and other emergencies.
- The best possible coverage within a given geographic area, with a minimum of dead zones.
- Unique equipment designed for quick response in emergency situations—dialing, waiting for call connection, and busy signals are unacceptable during critical events when seconds can mean the difference between life and death.

We believe that the WAVE software when properly used can add value, redundancy and alternative methods of communicating for radios and radio systems and the personnel who use them.

### ***Twisted Pair Solutions, Inc.’s WAVE Software***

Twisted Pair Solutions’ WAVE software has been designed to enable and manage real-time, secure group communications over the IP network, linking people and devices. WAVE connects people who are using disparate and often incompatible communications technologies, such as two-way radios, personal computers, cell phones, and IP phones, into a single, interoperable and manageable communications system via IP communications technology.

WAVE technology consists of software building blocks and development tools designed to convert all forms of communication to IP packets, use a network to carry those packets between endpoints, and build distributed intelligence and management capabilities at the network edge to connect the endpoints together. The technology converts communications from individual users’ devices into group-level IP packets that can be forwarded to other devices and users. Once brought into a WAVE domain, these interoperable communication sessions are subject to management and security controls, and may be bridged, recorded, joined into conferences, or routed to devices outside of the system.

WAVE supports both voice and data media types. In addition, status, presence and adaptive transport network management provide for rich collaboration among group communications participants. The result is that groups of people can talk and share real-time data, with full control, regardless of the devices or systems used. With audio data converted into IP packets and streamed across a network, a new set of devices can directly link together and participate simply and easily in critical communications.

We have been advised by Twisted Pair Solutions that claims based upon the WAVE technology are the subject of a patent application filed by or on behalf of it with the United States Patent and Trademark Office. There can be no assurance that any patent will be issued as a result of the application or, if issued, that it will be meaningful. Furthermore the validity of issued patents is frequently challenged by others. One or more patent applications may have been filed by others previous to the Twisted Pair Solutions' filing, which encompass the same or similar claims.

We have no right to sell, license or otherwise utilize WAVE other than through our written agreements with Twisted Pair Solutions as described below.

### ***Our Agreements with Twisted Pair Solutions, Inc.***

#### ***Reseller Agreement***

In May 2006, we entered into a reseller agreement with Twisted Pair Solutions. Subject to the terms and conditions of the agreement, Twisted Pair Solutions appointed us as a nonexclusive authorized worldwide reseller of its products. We have the right to purchase products from Twisted Pair Solutions and to resell the products to end users.

We have agreed to provide all necessary implementation services and support, including but not limited to the tools, expertise, and resources required for design, installation, integration, and/or upgrades, for all products sold by us as a reseller through either our own internal resources or contracting with Twisted Pair Solutions' approved subcontractor partners. We do not now have and there can be no assurance that we will ever have the resources to perform the required implementation services and support.

We have further agreed to maintain trained sales representatives and sales and integration engineers in the number determined by Twisted Pair Solutions. We do not now have and there can be no assurance that we will ever have the resources to maintain such representatives and engineers.

For each product we resell, we are responsible for either the sale of the appropriate annual renewal and update subscription or submittal to Twisted Pair Solutions of written waiver of software updates signed by the end user. In the event an end user purchases or renews the update subscription directly from Twisted Pair Solutions, we will not receive any compensation associated with the sale.

Twisted Pair Solutions has granted to us a non-exclusive, limited license during the term of the agreement to use both Twisted Pair Solutions' name and any stylized form or logo used by Twisted Pair Solutions and the applicable product trademarks solely in connection with our distribution, advertising and promotion of the products. The exclusive ownership of the trademarks has been retained by Twisted Pair Solutions.

The prices we pay for the products will be set by Twisted Pair Solutions. Twisted Pair Solutions may change prices, discount schedules, and any other similar terms on sixty days notice to us. Subject to Twisted Pair Solutions' ability to impose maximum resale price limitations, we are free to determine our resale prices. There can be no assurance that the prices we are required to pay to Twisted Pair Solutions or the maximum resale price limitations will not significantly adversely affect our ability to make sales or operate profitably.

Other than with respect to patents, each party's liability to the other party under the agreement is limited to the total payment made by us to Twisted Pair Solutions in the most recent full calendar year. In the event that any claims are successfully made against us with respect to Twisted Pair Solutions' products, it is likely that our exposure will be substantially greater than Twisted Pair Solution's obligation to us.

The agreement may be terminated by Twisted Pair Solutions or us at any time without cause upon thirty days prior written notice to the other party. If Twisted Pair Solutions were to terminate the agreement, we would not be entitled to purchase or resell any of its products under the agreement.

### ***Application Service Provider License Agreement***

In August 2006, we entered into an application service provider license agreement with Twisted Pair Solutions. Subject to the terms and conditions of the agreement, Twisted Pair Solutions granted to us a nonexclusive and nontransferable right to install, store, operate and use certain WAVE components and market and license access to those components within North America, Central America and South America directly to end users solely as a part of a hosted service operated and maintained by us. The Company ceased to market its hosted service in July 2011 and the application service provider agreement with Twisted Pair Solutions, Inc. expired in August 2011.

### ***Sale of Unified Group Communication Solutions***

We offer to design and customize, standards based audio and voice collaboration solutions for prospective customers that will result in a unified group communication system. We intend to consider aspects of a potential customer's information technology resources and existing telecommunications network in creating a design best suited for that customer. We anticipate that substantially all of our designs for unified group communication solutions will require the integration of WAVE software as a core component. We have designed, built and installed eight unified group communication solutions as of the date of this Annual Report, all of which utilize WAVE software.

Revenue from installations can be generated from the amount we charge to design, build, install and support a system. We also intend to generate revenues from a maintenance contract once a unified group communication solution is installed and tested. There can be no assurance that we will realize any meaningful levels of revenues from the design and building of unified group communication solutions in the future, if at all.

Prior to and subsequent to sales we have made to three airport authorities, we have had discussions with approximately 15 other airport authorities as well as airlines in the United States and abroad to design, build and install voice interoperability solutions. Those discussions have not resulted in any sales.

We have developed an Internet Protocol gateway which we call the AudioMate 360. The AudioMate 360 has been designed to provide an Internet Protocol gateway to users of unified group communications. The AudioMate 360 is available in different configurations which enable it to be used with various types of communications equipment.

Although other devices are available that perform the same or similar functions, we believe that our price for the AudioMate 360 is substantially lower than the prices others are presently charging for similar devices. If we are unable to provide the AudioMate 360 to our prospective customers at substantially lower prices than others are charging for similar gateways, our business will be materially adversely affected.

### ***Sales and Marketing***

We have marketed our unified group communication solutions and AudioMate 360 IP gateways through our Director of Sales and Marketing. The majority of our sales leads have come through our strategic partners and our website.

If we are able to continue our business activities, we intend to continue to develop a network of channel partners and VARs. As of September 30, 2011, we had ten channel partners in our network of over 75 VARs. These existing and potential channel partners and VARs range in size from single-site, regional firms with specialized products and services to multi-national firms that provide a full range of IT products and services.

We have also received sales prospects from our website. We intend to use search engine optimization to increase the number of inquiries that we receive from our website and if we become adequately funded, we intend to hire additional direct sales people.

### ***Competition***

The unified group communications industry is extremely competitive. Over the past year, the number of companies entering our industry has increased dramatically. Competitive pricing pressures can negatively impact profit margins, if any. Competitors include Cisco Systems, Inc., Tyco Electronics Ltd., Catalyst Communications Technologies, Inc., Telex, Inc., Federal Signal Corporation and Mutual-Link, Inc. as well as Twisted Pair Solutions and its other resellers and licensees.

These and other potential competitors are generally large and well capitalized and have substantially more experience than we do in our industry.

We expect to face intense competition from traditional telephone companies, wireless companies, cable companies and alternative voice communication providers. We may also face intense competition from cable companies which have added or are planning to add VoIP services to their existing product lines.

The traditional wireline and wireless telephone service providers and cable companies are substantially larger and better capitalized than we are and have the advantage of a large existing customer base. Because substantially all of our prospective customers are already purchasing communications services from one or more of these providers, our success may be dependent upon, among other things, our ability to attract target customers away from their existing providers. These potential competitors could focus their substantial financial resources to develop competing technology that may be more attractive to potential customers than what we offer.

Our competitors' financial resources may allow them to offer services at prices below cost or without charge in order to maintain and gain market share or otherwise improve their competitive positions. Our competitors also could use their greater financial resources to offer more attractive service packages that include on-site installation and more robust customer service. In addition, because of the other services our competitors provide, they may choose to offer unified group communication services as part of a bundle that includes other products, such as VoIP telephone service, video, high speed Internet access and wireless telephone service, which we do not and cannot offer. This bundle may enable our competitors to offer unified group communication service at price levels with which we may not be able to compete or to offer functionality that integrates that service with their other offerings, both of which may be more desirable to consumers. Any of these competitive factors could make it difficult or impossible for us to attract and retain customers, cause us to lower our prices in order to compete and reduce our market share and revenues.

There can be no assurance that we will be able to increase our revenues or achieve profitability.

### ***Manufacturing and Suppliers***

We have outsourced the manufacturing of our hardware products. This outsourcing has allowed us to:

- avoid costly capital expenditures for the establishment of manufacturing operations;
- focus on the design, development, sales and support of our hardware products; and

- leverage the scale, expertise and purchasing power of specialized contract manufacturers.

Currently, we have arrangements for the production of our gateways with a contract manufacturer in Florida. Our reliance on contract manufacturers involves a number of potential risks, including the absence of adequate capacity, ownership of certain elements of electronic designs, and reduced control over delivery schedules. Our contract manufacturers can provide us with a range of operational and manufacturing services, including component procurement and performing final testing and assembly of our products. We intend to depend on our contract manufacturers to procure components and to maintain adequate manufacturing capacity.

We have also relied on a small number of suppliers for several key components utilized in the assembly of our products. For example, our contract manufacturer has purchased a key component that is essential to the production of our gateways from a single source supplier. We have not identified any alternative suppliers for that component. Our contract manufacturer has maintained relatively low inventories and acquired components only as needed. As a result, our ability to efficiently respond to customer orders, if any, may be constrained by, among other things, the then-current availability or terms and pricing of necessary components. We cannot assure you that we will be able to obtain a sufficient quantity of these components in a timely manner to meet the demands of our customers or that prices of these components will not increase. Any delays or any disruption of the supply of these components could also materially and adversely affect our operating results.

### ***Intellectual Property***

If we are able to resume our business activities, our business will be dependent on our intellectual property, some of which we have developed for our software and hardware applications. We do not have any patents, trademarks or trade secret confidentiality agreements. For projects that are in development, we intend to rely on intellectual property rights afforded by trademark and trade secret laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our rights to our technology and other intellectual property. There is no assurance that these procedures and arrangements will be adequate in protecting our intellectual property.

We have filed a patent application with the United States Patent and Trademark Office in connection with various configurations of our AudioMate 360 Internet Protocol gateway. We may file similar patent applications in additional countries. The claims in the patent application relate to various aspects of the AudioMate 360. On October 28, 2011, the United States Patent Office notified the Company that thirty four claims of the Company's patent application for Multi Ad Hoc Interoperable Communicating Networks have been allowed. There can be no assurance that any of the allowed claims are meaningful. Furthermore, the validity of issued patents is frequently challenged by others. One or more patent applications may have been filed by others previous to our filing, which encompass the same or similar claims.

Because of our limited resources, we may be unable to protect a patent or to challenge others who may infringe upon a patent. Because many holders of patents in our industry have substantially greater resources than we do and patent litigation is very expensive, we may not have the resources necessary to successfully challenge the validity of patents held by others or withstand claims of infringement or challenges to any patent we may obtain. Even if we prevail, the cost and management distraction of litigation could have a material adverse affect on us.

Because Internet Protocol gateways and their related manufacturing processes are covered by a large number of patents and patent applications, infringement actions may be instituted against us if we use or are suspected of using technology, processes or other subject matter that is claimed under patents of others. An adverse outcome in any future patent dispute could subject us to significant liabilities to third parties, require disputed rights to be licensed or require us to cease using the infringed technology.

If trade secrets and other means of protection upon which we may rely may not adequately protect us, our intellectual property may become available to others. Although we may rely on trade secrets, copyright law, employee and third-party nondisclosure agreements and other protective measures to protect some of our intellectual property, these measures may not provide meaningful protection to us.

The laws of many foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States, if at all.



## **Employees**

As of December 29, 2011, we have no employees, and we have five consultants, including our two executive officers.

### **Item 1A. Risk Factors.**

Not applicable.

### **Item 1B. Unresolved Staff Comments.**

Not applicable.

### **Item 2. Properties.**

We lease approximately 3,400 square feet for our principal offices in Boca Raton, Florida from an unaffiliated party at a monthly rental of approximately \$6,200. The lease, which provides for annual increases of base rent of 4%, expires on November 30, 2014.

### **Item 3. Legal Proceedings.**

We know of no material, existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers, or affiliates, or any registered or beneficial holder of more than 5% of our voting securities, or any associate of such persons, is an adverse party or has a material interest adverse to our company.

### **Item 4. (Removed and Reserved).**

8

## **PART II**

### **Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

#### **Market Information**

Our common stock is quoted on the Over-The-Counter Bulletin Board ("OTCBB") under the symbol "CLRI." The following table sets forth, for the periods indicated, the reported high and low closing bid quotations for our common stock as reported on the OTCBB for each quarterly period within our two most recent fiscal years. The bid prices reflect inter-dealer quotations, do not include retail markups, markdowns, or commissions, and do not necessarily reflect actual transactions.

#### **Common Stock**

<u>Quarter Ended</u>	<u>High Bid</u>	<u>Low Bid</u>
September 30, 2011	\$ —	\$ —
June 30, 2011	\$ —	\$ —
March 31, 2011	\$ 0.0009	\$ 0.00
December 31, 2010	\$ 0.006	\$ 0.0009
September 30, 2010	\$ 0.006	\$ 0.0009
June 30, 2010	\$ 0.012	\$ 0.002
March 31, 2010	\$ 0.021	\$ 0.002
December 31, 2009	\$ 0.14	\$ 0.01

#### **Holders**

As of December 29, 2011, we have approximately 148 stockholders of record of our issued and outstanding common stock based upon a shareholder list provided by our transfer agent.

#### **Dividend Policy**

We have never paid dividends on our common stock and do not anticipate paying cash dividends in the

foreseeable future. We intend to retain any earnings for the operation and expansion of our business. Other than financial ability, we have no legal, contractual or corporate constraints against the payment of dividends. Commitments we may make in the future may, however, contractually limit or prohibit the payment of dividends.

The Company is obligated to pay dividends on its Series A Convertible Preferred Stock. Each Series A Preferred Holder is entitled to receive cumulative dividends at the rate of 8% of \$1.00 per annum on each outstanding share of Series A Preferred then held by such Series A Preferred Holder, on a pro rata basis. The Company has accrued dividends payable to preferred shareholders through September 30, 2011. No cash dividends have been paid to date.

### Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth, as of September 30, 2011, certain information related to our compensation plans under which shares of our common stock are authorized for issuance.

9

Plan Category	COLUMN A: Number of Securities to be Issued upon Exercise of Outstanding Options Warrants and Rights	Weighted- Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in COLUMN A)
Equity compensation plans approved by security holders	7,100,000 (1)	\$ 0.087	75,000,000 (2)
Equity compensation plans not approved by security holders (3)	<u>27,438,487</u>	<u>\$ 0.070</u>	<u>17,342,602 (4)</u>
Total	<u><u>34,538,847</u></u>	<u><u>\$ 0.078</u></u>	<u><u>92,342,602</u></u>

- (1) Includes outstanding options granted pursuant to GlobalTel IP 2005 Incentive Equity Plan, which terminated by its terms on October 17, 2010.
- (2) Includes shares available for future issuance under the Cleartronic 2011 Equity Incentive Plan.
- (3) These consist of individual consulting agreements.
- (4) Includes shares remaining available for future issuance under the 2011 Consultant Stock Plan.

### Recent Sales of Unregistered Securities

In September 2011, we issued 4,517,778 shares of our common stock and 4,277,778 shares of our common stock for a total of 8,795,556 unregistered shares of common stock to two officers and directors due to their conversion of accrued consulting fees of \$26,000 and \$24,800, respectively, totaling \$50,800.

In December 2010, we issued 750,000 shares of our common stock to two shareholders, as discounts on notes payable in the amount of \$15,000.

### Item 6. Selected Financial Data.

Not applicable.

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*The following discussion and analysis of the results of operations and financial condition for the fiscal years ending September 30, 2011 and 2010 should be read in conjunction with our consolidated financial statements and the notes to those consolidated financial statements that are included elsewhere in this report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations, and intentions. Actual results and the*

*timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth elsewhere in this report. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions to identify forward-looking statements.*

## **Overview**

10

From inception on November 15, 1999 through February 28, 2005, we were a development stage company or inactive, generated no revenue and incurred cumulative net losses of \$488,642. In February 2005, we acquired certain VoIP assets from Interactive Media Technologies, Inc. (“IMT”) under an Asset Purchase Agreement. These assets enabled us to begin generating revenue by providing VoIP services to customers. Due to increased competition and additional government regulation and taxation it became increasingly difficult to earn a profit marketing VoIP services and in August and October 2007 we sold certain equipment and software used to operate the VoIP business, the proceeds of which were used to reduce our liabilities. These assets were not then being utilized by us. Following the asset sale we decided to concentrate on marketing unified group communications services to public and private enterprises, market our Audiomate 360 series of IP gateways and to continue to develop an application service provider solution for voice interoperability.

We have provided Internet Protocol, or IP, unified group communication solutions for enterprises. The products used in our solutions include our own proprietary products as well as products from other software and hardware vendors. An integral component of our unified group communication solution is WAVE™ software developed by Twisted Pair Solutions, Inc. of Seattle, WA.

We have designed and customized standards based audio and voice collaboration solutions for prospective customers that will result in a for unified group communication systems. We consider all aspects of a potential customer’s information technology resources and existing telecommunications network in creating a design best suited for that customer. Substantially all of our designs for unified group communication solutions require the integration of WAVE software as a core component. We have designed, built and installed eleven unified group communication solutions as of the date of this filing all of which utilize WAVE software.

We have marketed our products and services primarily through a consultant who serves as Director of Sales and Marketing. We intend to develop a network of channel partners and distributors which when and if established we believe will increase the revenue we receive from the sale of our products and services.

We outsource the manufacturing of our products to a contract manufacturer. Our outsourced manufacturing model allows us to scale our business without the significant capital investment and on-going expenses required to establish and maintain a manufacturing operation. Our AM360 gateways are manufactured by a contract manufacturer located in Pompano Beach, Florida. Our contract manufacturer provides us with a range of operational and manufacturing services, including component procurement, final testing and assembly of our products. We work closely with our contract manufacturer to manage the cost of components, since our total manufacturing costs are directly tied to component costs. We do not provide forecasts to our contract manufacturer, and we order products from our contract manufacturers on an as needed basis. We do not maintain a large finished goods inventory which limits our ability to fill customers' orders should they demand product quickly.

Our plans to continue our business and make investments in certain areas as described below are contingent upon substantial amounts of capital becoming available to us. We do not now have any such capital and there can be no assurance that we can obtain any capital on terms not unfavorable to us, if at all.

We are headquartered in Boca Raton, Florida and all of our personnel work at this location.

## **Critical Accounting Policies**

*Our significant accounting policies and recently issued accounting pronouncements are described in Notes 1 and 2 to the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K. We believe the following represent our critical accounting policies:*

*Estimates and Assumptions* The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses during the reporting period. Estimates are made when accounting for revenue (as discussed below under “Revenue Recognition”), depreciation, amortization, bad debt reserves, income taxes and certain other contingencies. We are subject to risks and uncertainties that may cause actual results to vary from estimates. We review all significant estimates affecting the consolidated financial statements on a recurring basis and record the effects

of any adjustments when necessary.

*Revenue Recognition and Deferred Revenues* Unified group communication solutions consist of three elements to be provided to customer: software licenses and equipment purchased from third-party vendors, proprietary hardware that is manufactured on contract to required specifications and installation and integration of the hardware and software into the cohesive communication source.

The Company's revenue recognition policies are in accordance with Accounting Standards Codification 605-10 "Revenue Recognition". (ASC 605-10). Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. No right of return privileges are granted to customers after shipment. The Company recognizes revenue for the elements separately as the sales of the equipment and software, installation and integration, and support services represent separate earnings processes that are generally specified under separate agreements.

Revenue from the resale of equipment utilized in unified group communication solutions is recognized when shipped. For software licenses, the Company does not provide any services that are considered essential to the functionality of the software, and therefore revenue is recognized upon delivery of the software, provided (1) there is evidence of an arrangement, (2) collection of the fee is considered probable and (3) the fee is fixed and determinable.

The Company also provides support to customers under separate contracts varying from one to five years. The Company's obligations under its service contracts vary by the length of the contract. In all cases the Company is the primary obligor to provide first level support to the client. If the contract has less than one year of service and support remaining on the contract it is classified as a current liability, if longer it is classified as a non-current liability.

Installation and integration services are recognized upon completion.

*Inventory.* Inventory consists of components held for assembly and finished goods held for resale or to be utilized for installation in projects. Inventory is valued at lower of cost or market on a first-in, first-out basis.

*Stock-Based Compensation.* Effective January 1, 2006, the Company adopted the fair value recognition provisions of Accounting Standards Codification 718-10 "Compensation" (ASC 718-10) using the modified retrospective transition method. ASC 718-10 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods. The Company has estimated the fair value of each award as of the date of grant or assumption using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes option pricing model considers, among other factors, the expected life of the award and the expected volatility of the Company's stock price. In March 2005, the SEC issued SAB No. 107, Share-Based Payment ("SAB 107") which provides guidance regarding the interaction of ASC 718-10 and certain SEC rules and regulations. The Company has applied the provisions of SAB 107 in its adoption of ASC 718-10.

## **Basis of Presentation**

*Revenue.* We have derived our revenue from sales of our unified group communication solutions, AudioMate 360 sales and related support and services. Our typical solution sale included a combination of third party hardware, WAVE software and installation and integration services. Channel partners buy our products directly from us. Prices to a given channel partner for hardware and software products depend on that channel partner's volume, as well as our own strategic considerations.

Support and services revenue has primarily consisted of post-contractual support and maintenance contracts. Post-contractual support includes software updates which grant rights to unspecified software license upgrades and maintenance releases issued during the support period. Post-contractual support also includes both Internet and phone-based technical support. Post-contractual support revenue is recognized ratably over the contractual service period.

*Cost of revenue.* Cost of product revenue consisted primarily of hardware costs, royalties and license fees for third-party software included in our systems, salary and related overhead costs of operations personnel and freight. The majority of these costs vary with the unit volumes of product sold. Cost of support

and services revenue consists of salary and related overhead costs of personnel engaged in support and services, and hence is substantially fixed in the near term.

*Research and development expenses.* Research and development expenses primarily included personnel costs, outside engineering costs, professional services, prototype costs, test equipment, software usage fees and facilities expenses. Research and development expenses are recognized when incurred. We have devoted substantial resources to the development of additional functionality for existing products and the development of new products and related software applications. We intend to continue to make significant investments in our research and development efforts because we believe they are essential to maintaining and improving our competitive position. Accordingly, we expect research and development expenses to continue to increase in absolute dollars.

*Selling expenses.* Selling expenses primarily include personnel costs, sales commissions, travel, marketing promotional and lead generation programs, advertising, trade shows, professional services fees and facilities expenses. We plan to continue to invest in development of our distribution channels by increasing the size of our field sales force and the number of our channel partners to enable us to expand our business. In conjunction with channel partner growth, we plan to increase the investment in our training and support of channel partners to enable them to more effectively sell our products. We also plan to continue investing in our domestic and international marketing activities to help build brand awareness and create sales leads for our channel partners. We expect that sales and marketing expenses will increase in absolute dollars and remain one of our largest operating expense categories.

*Administrative expenses.* Administrative expenses relate to our executive, finance, human resources, legal and information technology organizations. Our general and administrative expenses have primarily included consultant expenses, professional fees for legal, accounting, tax, compliance and information systems, travel, recruiting expense, and facilities expenses. In addition, as if we are able to continue and then we expand our business, we expect to increase our administrative expenses.

*Other income (expenses).* Other income (expenses) has primarily consisted of interest and finance charges paid, dividend expense and other miscellaneous income (expenses).

*Income tax provision.* We recognize income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a tax rate change on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The Company records a valuation allowance to reduce net deferred tax assets to the amount considered more likely than not to be realized. Changes in estimates of future taxable income can materially change the amount of such valuation allowances.

## **Results of Continuing Operations – Comparison of the Fiscal Years Ended September 30, 2011 and September 30, 2010**

### *Revenues*

13

Revenues increased from \$296,366 during 2010 to \$542,941 during 2011. This increase was due to increased sales of unified communication projects.

### *Cost of Revenue and Gross Margin*

Cost of revenues increased from \$136,489 in 2010 to \$274,094 in 2011. Gross margins decreased to approximately 50% or to \$268,847 from 54% or \$159,877 for the years ended September 30, 2011 and 2010, respectively. The primary reason for the decrease in gross margin was the increased sales of third party hardware and software as opposed to proprietary hardware and software, which generate higher gross margins.

### *Operating Expenses*

Operating expenses increased approximately 19% in 2011 to \$1,358,266 compared to \$1,140,619 during 2010. Operating expenses include selling expenses, administrative expenses, research and development costs

and depreciation. This increase was primarily due to a 75% increase in selling expenses.

Selling expenses increased from \$247,442 in 2010 to \$433,437 in 2011 primarily due to the increased use of third party consultants and increased travel expenses.

Administrative expenses increased approximately 4% from \$648,364 in 2010 to \$674,747 in 2011 primarily due to increased management and financial consulting expenses partially offset by lower rent expense.

Research and development expenses increased to \$237,013 in 2011 from \$219,384 in 2010 due to increased development expense related to the expansion the AM-360 family of IP gateway devices and to expenses related to developing a demand response energy solution for the consumer market.

Depreciation expenses decreased approximately 48% primarily due to certain non-core assets reaching the end of their depreciation period.

#### *Interest and Other Expense*

Interest and other expense was \$114,617 and \$64,801 for 2011 and 2010, respectively. The increase was primarily due to accrual of cumulative dividends of approximately \$66,000 on outstanding Series A Preferred stock issued during the year. Interest expense declined to \$23,779 for 2011 from \$58,207 in 2010 due to a decline in the amortization of notes payable discount to \$937 in 2011 from \$37,513 in 2010. In addition, finance charges increased to \$24,865 during the year ended September 30, 2011 from \$6,594 in the prior year due to increased use of a factoring company.

14

#### *Loss from Disposition of Assets*

In 2010, we realized a loss on impairment of certain equipment of approximately \$39,863 and a loss of \$1,610 from the sale of non-core assets. In 2011, there were no such losses.

#### *Net Loss*

Net losses were \$1,204,036 and \$1,087,016 for 2011 and 2010, respectively.

#### **Trends and Uncertainties**

We have chosen to concentrate on developing the business of providing unified group communication solutions to public and private enterprises and marketing our AudioMate 360 series of Internet Protocol gateways. Our ability to grow our unified communications business and market our AudioMate 360 gateways are critical to our future financial position and operations.

#### **Liquidity and Capital Resources**

Cash and cash equivalents increased by \$16,840 during the fiscal year ended September 30, 2011 to \$39,188. Net cash used in operating activities for the fiscal year ended September 30, 2011 was \$770,479 as compared to \$777,305 for the prior fiscal year due primarily to a decrease in depreciation expense. We funded our operating activities during the most recent fiscal year through financing activities that generated net proceeds of approximately \$790,000.

At September 30, 2011, our total liabilities were approximately \$804,364, which included \$41,656 in deferred revenue and \$283,499 in notes payable from stockholders.

Based on our initial unified communication installations and the development of our AudioMate 360 series of IP gateways, we have developed a business plan. The business plan calls for us to continue to market and sell unified communications hardware and software directly to enterprise customers. In addition, we intend to market our AudioMate 360 series of IP gateways both directly to clients and through strategic partners and VARs. Our strategic partners and VARs have introduced us to customers in the past, and we will continue to rely on them to introduce us to additional customers. We have also received sales prospects from our website. We intend to use search engine optimization to increase the number of inquires that we receive from our website, and if we have sufficient available funds, we intend to hire direct sales people. Our business plan further calls for us to seek additional strategic partners such as consulting firms, equipment manufacturers and communications companies.

We believe that in order to fund our business plan, we will need approximately \$1.5 million in new equity or debt capital. In the past, in addition to revenues and deferred revenues, we have obtained funds from the private sale of our debt and equity securities. We have also had discussions with several securities broker-dealers with respect to a private or public offering of our securities. Although none of such discussions has resulted in any funding, we intend to continue to have such discussions in the future. We also intend to continue to seek private financing from certain of our existing stockholders and others.

Our current operating expenses are approximately \$100,000 per month. In order for us to cover our monthly operating expenses, we must generate approximately \$300,000 per month in revenue. Accordingly, in the absence of sufficient revenues, we must \$100,000 in equity or debt capital each month to cover our overhead expenses. In order to remain in business for one year without any revenues, we must secure \$1.2 million in equity or debt capital. If we are unsuccessful in securing sufficient capital or revenues, we will be unable to resume our business activities.

15

On September 30, 2011, we had current assets of \$93,842 and current liabilities of \$670,494. Our independent certified public accountants have stated in their report on our audited consolidated financial statements for the fiscal year end that there is a substantial doubt about our ability to continue as a going concern. In the absence of significant revenue and profits, we will be completely dependent on additional debt and equity financing. There can be no assurance that any funds will be available to us, or if available, that they will be sufficient to fund our capital expenditures, working capital and other cash requirements. Furthermore, there can be no assurance that any such additional funding that may be available can be obtained on terms not unfavorable to us. If we are unable to raise needed funds on acceptable terms, we will not be able to execute our business plan, develop or enhance existing services, take advantage of future opportunities, if any, or respond to competitive pressures or unanticipated requirements. If we do not obtain sufficient capital, we will not be able to continue operations.

### **Recent Developments**

In November 2011, the Company entered into a Securities Purchase Agreement with a private investor in connection with the issuance of a 8% convertible note in the amount of \$60,000. The note matures August 17, 2012 and is convertible into shares of the Company's common stock at a variable conversion price (58% multiplied by the market price).

In December 2011, the Company issued a promissory note to a stockholder for \$45,000. The note bears interest at 10%, which is payable quarterly and matures on December 31, 2012.

### **Off-Balance Sheet Transactions**

There are no off-balance sheet transactions.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

### **Item 8. Financial Statements and Supplementary Data.**

Our Consolidated Financial Statements and related notes begin on Page F-1 of this Annual Report.

### **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

There have been no changes in or disagreements with our independent auditors.

### **Item 9A. Controls and Procedures.**

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered in this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2011. This evaluation was carried out under the supervision and with the participation of our principal executive officer (CEO) and principal financial officer (CFO), who concluded, that because of the material weakness in our internal control over financial reporting described below that, our disclosure controls and procedures



were not effective as of September 30, 2011. A material weakness is a deficiency or a combination of deficiencies in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under that Act is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

16

Our management is also responsible for establishing internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934.

Our internal controls over financial reporting are intended to be designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal controls over financial reporting are expected to include those policies and procedures that management believes are necessary that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

As of September 30, 2011, management assessed the effectiveness of the our internal controls over financial reporting (ICFR) based on the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on that assessment, management concluded that, during the period covered by this report, such internal controls and procedures were not effective as of September 30, 2011 and that material weaknesses in ICFR existed as more fully described below.

As defined by Auditing Standard No. 5, "An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments," established by the Public Company Accounting Oversight Board ("PCAOB"), a material weakness is a deficiency or combination of deficiencies that result in a more than a remote likelihood that a material misstatement of annual or interim consolidated financial statements will not be prevented or detected. In connection with the assessment described above, management identified the following control deficiencies that represent material weaknesses as of September 30, 2011:

- (1) Lack of an independent audit committee or audit committee financial expert. Although our board of directors serves as the audit committee it has no independent directors. Further, we have not identified an audit committee financial expert on our board of directors. These factors are counter to corporate governance practices as defined by the various stock exchanges and may lead to less supervision over management.
- (2) Inadequate staffing and supervision within our bookkeeping operations. We have only a single consultant involved in bookkeeping functions. This prevents us from segregating duties within our internal control system. The inadequate segregation of duties is a weakness because it could lead to the untimely identification and resolution of accounting and disclosure matters or could lead to a failure to perform timely and effective reviews which may result in a failure to detect errors in spreadsheets, calculations, or

assumptions used to compile the consolidated financial statements and related disclosures as filed with the Securities and Exchange Commission.

Our management determined that these deficiencies constituted material weaknesses.

17

Due to our small size and a lack of personnel resources, we are not able to, and do not intend to, immediately take any action to remediate these material weaknesses. However, we will implement further controls as circumstances permit. Notwithstanding the assessment that our ICFR was not effective and that there were material weaknesses as identified herein, we believe that our consolidated financial statements contained in this Annual Report fairly present our financial position, results of operations and cash flows for the years covered thereby in all material respects.

There was no change in our internal control over financial reporting that occurred during the fourth quarter of our fiscal year ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 9B. Other Information.**

Between June and August 2011, the Company borrowed \$90,000 from a shareholder and issued a promissory note for \$90,000. The note bears interest at 10% per annum and matures on December 31, 2012.

On September 30, 2011, the Company issued a promissory note to a shareholder for \$50,000 and received \$50,000 in cash. The note bears interest at 15% per annum and matures on December 31, 2011.

### **PART III**

#### **Item 10. Directors, Executive Officers and Corporate Governance.**

##### *Executive Officers, Directors and Significant Employee*

Set forth below are the name, age, position, and a brief account of the business experience of each of our executive officers and directors. Each of our directors holds office until the next annual meeting of shareholders and until the director's successor is elected and qualified or until the director's resignation or removal. Each of our executive officers holds office until the next annual meeting of shareholders. The experience and background of each of the directors, as summarized below, were significant factors in their previously being nominated as directors of the Company.

<b>NAME</b>	<b>AGE</b>	<b>POSITIONS</b>
Dana Waldman	47	Chief Executive Officer and a director
Larry M. Reid	67	Chief Financial Officer and a director
Michael J. Gutowski	53	Vice President of Sales and Marketing and a director

*Dana Waldman*, was appointed Chief Executive Officer and a member of Board of Directors in July 2011. From January 2010 to July 2011 Mr. Waldman served as a management consultant to the company. Mr. Waldman has served as the owner and principal of Waldman and Associates, a Management Consulting firm since 2003 where he has consulted to numerous start-up companies. He also served as CEO and Director of Voyant International Corp. from January 2007 to September 2009.

*Larry M. Reid* has been a member of our Board of Directors since 1999 and our Chief Financial Officer since March 2005. He served as President from September 2006 to July 2011. He was also our President from 1999 to March, 2005 at which time he became our Executive Vice President and Chief Financial Officer. From December 2001 until September 2005, Mr. Reid was the Chief Financial Officer and a director of Connectivity Inc., which was primarily engaged in the manufacture and distribution of emergency call boxes. In April 2003, Connectivity Inc. was acquired by Arrow Resources Development, Inc. at which time Mr. Reid became the Executive Vice President and a director of that company.

*Michael J. Gutowski* has held his present positions with us since March 2005. From November 1999 to December 2002 Mr. Gutowski was the Chief Executive Officer and a director of Connectivity Inc., which was primarily engaged in the manufacture and distribution of emergency call boxes. In April 2003, Connectivity Inc. was acquired by Arrow Resources Development, Inc. at which time Mr. Gutowski became the President, Chief Operating Officer and a director of that company.

There are no family relationships among our directors, executive officers, or persons nominated or chosen by us to become directors or executive officers.

None of our directors or executive officers has, during the past ten years:

- Had any petition under the federal bankruptcy laws or any state insolvency law filed by or against, or had a receiver, fiscal agent, or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
- Been convicted in a criminal proceeding or a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

18

- Been the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
  - (i) Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
  - (ii) Engaging in any type of business practice; or
  - (iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;
- Been the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any federal or state authority barring, suspending, or otherwise limiting for more than 60 days the right of such person to engage in any activity described in (i) above, or to be associated with persons engaged in any such activity;
- Been found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law, where the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated;
- Been found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, where the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended, or vacated;
- Been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
  - (i) Any federal or state securities or commodities law or regulation; or
  - (ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
  - (iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- Been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934), any registered entity (as defined in Section 1(a)(29) of the Commodity

Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

We have not adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have not done so because of our small size and limited resources.

We have never adopted any procedures by which security holders may recommend nominees to our board of directors.

We do not have an audit committee because we do not have D&O insurance and are unable to attract outside board members.

## Item 11. Executive Compensation.

### Summary Compensation Table

The following table discloses all plan and non-plan compensation awarded to, earned by, or paid to the following for all services rendered in all capacities to us: (a) all individuals serving as our principal executive officer (PEO) or acting in a similar capacity during the fiscal year ended September 30, 2011, regardless of compensation level; (b) all individuals serving as our principal financial officer (PFO) or acting in a similar capacity during the fiscal year ended September 30, 2011, regardless of compensation level; (c) our two most highly compensated executive officers other than the PEO who were serving as executive officers at September 30, 2011 and whose total compensation was in excess of \$100,000; and (d) up to two additional individuals for whom disclosure would have been provided pursuant to (c) of this paragraph but for the fact that the individual was not serving as an executive officer of us at September 30, 2011 and whose total compensation was in excess of \$100,000 (the "Named Executive Officers"):

#### SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Compensation (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(1)	Total (\$)
Dana Waldman Chief Executive Officer	2011 (2)	\$ 116,000	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 56,000	\$ 172,000
	2010 (2)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Larry M. Reid Chief Financial Officer	2011	\$ 101,000	\$ --	\$ -	\$ ---	\$ ---	\$ ---	\$ 26,000	\$ 127,000
	2010	\$ 104,000	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 104,000
Michael J. Gutowski Vice President of Sales and Marketing,	2011	\$ 102,200	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 24,800	\$ 127,000
	2010	\$ 104,000	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 104,000

(1) 10,290,370 warrants to purchase the Company's common stock were issued in lieu of cash compensation of \$56,000 in accrued consulting fees due to Mr. Waldman. 4,517,778 shares of the Company's common stock were issued in lieu of cash compensation of \$26,000 in accrued consulting fees due to Mr. Reid. 4,277,778 shares of the Company's common stock were issued in lieu of cash compensation of \$24,800 in accrued consulting fees due to Mr. Gutowski. Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance ASC 718-10.

(2) Mr. Waldman became our Chief Executive Officer on July 7, 2011.

### Employment Agreements

There are no employment agreements in place with executive officers.

### Outstanding Equity Awards at Fiscal Year End

The following table provides certain information concerning outstanding equity awards at September 30, 2011 for each of the Named Executive Officers:

	Option Awards		Stock Awards	
	Equity Incentive	Number of	Equity Incentive Plan Awards: Number of	Equity Incentive Plan Awards: Market or

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option 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 (\$)	Unearned Shares, Units, or Other Rights That Have Not Vested (#)	Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (#)
Larry M. Reid	500,000	-0-	-0-	\$ 0.12	12/31/13	—	—	—	—
Larry M. Reid	1,250,000	-0-	-0-	\$ 0.03	12/31/15	—	—	—	—
Michael Gutowski	1,000,000	-0-	-0-	\$ 0.12	12/31/13	—	—	—	—
Michael Gutowski	1,250,000	-0-	-0-	\$ 0.03	12/31/15	—	—	—	—

We did not grant any options during our fiscal year ended September 30, 2011.

### *Compensation of Directors*

During our fiscal year ended September 30, 2011, we did not compensate our directors for acting in that capacity. We have no arrangements pursuant to which any of our directors were or are to be compensated or are expected to be compensated in the future for any service provided as a director.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

#### *Equity Securities Authorized for Issuance With Respect to Equity Compensation Plans*

Please see the section titled “Securities Authorized for Issuance under Equity Compensation Plans” under Item 5 above.

#### *Security Ownership of Certain Beneficial Owners and Management*

The following table sets forth certain information as of December 29, 2011 with respect to any person (including any “group”) who is known to us to be the beneficial owner of more than 5% of our common stock and as to each class of our equity securities beneficially owned by our directors and directors and officers as a group:

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned (1)(2)	Approximate Percent of Class
<b>Officers and directors:</b>		
Dana Waldman 8000 N Federal Highway Boca Raton, FL 33487	11,169,490(5)	7.7%(5)
Larry M. Reid 8000 North Federal Highway Boca Raton, FL 33487	11,752,674(3)	8.6%(3)
Michael J. Gutowski 8000 North Federal Highway Boca Raton, FL 33487	9,792,483(4)	7.1%(4)
<b>Officers and directors as a group (3 persons):</b>	32,714,647	21.9%

- (1) Unless otherwise noted below, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.
- (2) For purposes hereof, a person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from December 29, 2011 upon the exercise of warrants or options or

the conversion of convertible securities. Each beneficial owner's percentage ownership is determined by assuming that any such warrants, options or convertible securities that are held by such person (but not those held by any other person) and which are exercisable within 60 days from December 29, 2011 have been exercised.

- (3) Includes 1,750,000 shares that can be acquired by Mr. Reid upon exercise of options.
- (4) Includes 2,250,000 shares that can be acquired by Mr. Gutowski upon exercise of options and 500,000 shares owned by Mr. Gutowski's spouse.
- (5) Includes 10,290,370 shares that can be acquired upon exercise of warrants.

22

### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

#### **Certain Relationships and Related Transactions**

In September 2011, the Company issued 10,290,370 warrants to purchase the Company's common stock to an officer and director of the Company for services valued at \$56,000.

In September 2011, the Company issued 8,795,556 shares of the Company's common stock to two officers and directors for services valued at \$50,800.

#### **Director Independence**

We currently have no members of our Board who qualify as "independent" as the term is used in Section 803A and Rule 10A-3(b)(ii) promulgated thereunder of the Securities Exchange Act of 1934, as amended, and the listing standards of the Nasdaq Capital Market

### **Item 14. Principal Accounting Fees and Services.**

#### **Audit Fees**

The aggregate fees billed for our fiscal years ended September 30, 2011 and September 30, 2010 for professional services rendered by the principal accountants for the audit of our annual consolidated financial statements for services that are normally provided by the accountants in connection with statutory and regulatory filings or engagements for those fiscal years were \$19,000 and \$19,000, respectively. We do not have an audit committee.

#### **Audit-Related Fees**

The aggregate fees billed for our fiscal years ended September 30, 2011 and September 30, 2010 for assurance and related services by the principal accountants that were reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under the caption "Audit Fees" above were \$12,000 and \$12,000, respectively.

23

#### **Tax Fees**

The aggregate fees billed for our fiscal years ended September 30, 2011 and September 30, 2010 for professional services rendered by the principal accountants for tax compliance, tax advice, and tax planning were \$0 and \$0, respectively.

#### **All Other Fees**

The aggregate fees billed for our fiscal years ended September 30, 2011 and September 30, 2010 for products and services provided by the principal accountants, other than the services reported above in this Item 14, were \$0 and \$0, respectively.

Less than 50% of the hours expended on the principal accountant's engagement to audit our consolidated financial statements for the fiscal year ended September 30, 2011, were attributed to work performed by

persons other than the principal accountant's full-time, permanent employees.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

The following consolidated financial statements have been filed as part of this Annual Report:

Report of Independent Accountants

Statement of Operations For the Years Ended September 30, 2011 and 2010

Balance Sheets For the Years Ended September 30, 2011 and 2010

Statements of Cash Flows Ended September 30, 2011 and 2010

Statements of Changes in Stockholders Equity (Deficit) For the Years Ended September 30, 2011 and 2010

Notes to Consolidated Financial Statements September 30, 2011 and 2010

The following exhibits have been filed as part of this Annual Report:

- 3.1 Articles of Incorporation. (1)
- 3.2 Articles of Amendment to Articles of Incorporation filed March 12, 2001. (1)
- 3.3 Articles of Amendment to Articles of Incorporation filed October 4, 2004. (1)
- 3.4 Articles of Amendment to Articles of Incorporation filed March 31, 2005. (1)
- 3.5 Articles of Amendment to Articles of Incorporation filed May 9, 2008. (5)
- 3.6 Amended and Restated Bylaws. (8)
- 4.1 Form of Specimen Stock Certificate for the registrant's Common Stock. (1)
- 4.2 GlobalTel IP, Inc. 2005 Incentive Equity Plan. (1)
- 4.3 Form of option issued pursuant to GlobalTel, Inc. 2005 Incentive Equity Plan. (1)
- 4.4 Convertible Debenture in the principal amount of \$100,000 issued to Judith Holding Ltd. (2)
- 4.5 Convertible Debenture in the principal amount of \$100,000 issued to Josephine and Santo Sciarrino. (2)
- 4.6 Convertible Debenture in the principal amount of \$25,000 issued to James Drew. (2)
- 4.7 Form of Warrant. (7)
- 4.8 Form of Secured Promissory Note. (7)
- 10.1 Application Service Provider License Agreement between Twisted Pair Solutions, Inc. and the registrant of August 6, 2006, as amended. (4) (Portions of the exhibit have been omitted pursuant to a request for confidential treatment.)
- 10.2 Authorized Reseller Agreement between Twisted Pair Solutions, Inc. and the registrant of May 10, 2006. (4) (Portions of the exhibit have been omitted pursuant to a request for confidential treatment.)
- 10.3 Consulting Agreement of June 1, 2007 MANNetworks LLC and the registrant. (4)
- 10.4 Lease Agreement of December 1, 2010 between BGNP Associates, LLC and the Registrant.\*
- 10.5 Consultant Services Agreement of July 25, 2007 between John Boteler and the registrant. (4)
- 10.6 Amendment to Consultant Services Agreement of October 1, 2008 between Michael J. Gutowski and the registrant. \*
- 10.7 Amendment to Consultant Services Agreement of October 1, 2008 between Larry Reid and the registrant. \*



- 10.8 Form of Security Agreement. (7)
- 10.9 Amendment to Waldman and Associates Contract of January 22, 2010 and the registrant. (\*)
- 21.1 Subsidiaries of the Registrant. (5)
- 23.1 Consent of Kramer, Weisman and Associates, LLP \*
- 31.1 Rule 13a-(a)/15d-14(a) Certification. \*
- 31.2 Rule 13a-(a)/15d-14(a) Certification. \*
- 32.1 Section 1350 Certifications. \*

\* Filed herewith.

- (1) Filed on July 3, 2006 as an exhibit to the registrant's registration statement on Form SB-2 and hereby incorporated by reference.
- (2) Filed on March 22, 2007 as an exhibit to Amendment No. 2 to the registrant's registration statement on Form SB-2 and hereby incorporated by reference.
- (3) Filed on July 5, 2007 as an exhibit to Amendment No. 4 to the registrant's registration statement on Form SB-2 and hereby incorporated by reference.
- (4) Filed on March 17, 2008 as an exhibit to Amendment No. 5 to the registrant's registration statement on Form S-1 and hereby incorporated by reference.
- (5) Filed on May 28, 2008 as an exhibit to Amendment No. 6 to the registrant's registration statement on Form S-1 and hereby incorporated by reference.
- (6) Filed on January 12, 2010 as an exhibit to the registrant's Annual Report on Form 10-K and hereby incorporated by reference.
- (7) Filed on January 28, 2010 as an exhibit to the registrant's Current Report on Form 8-K and hereby incorporated by reference.
- (8) Filed on July 26, 2010 as an exhibit to the registrant's Current Report on Form 8-K and hereby incorporated by reference.

25

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Cleartronic, Inc.**

Date: December 30, 2011

**By: /s/ Dana Waldman**

**Dana Waldman  
Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

**Signatures**

**Title**

**Date**

/s/ Larry Reid  
Larry Reid

Principal Financial Officer, December 30, 2011  
Principal Accounting Officer and

Director

/s/ Dana Waldman  
Dana Waldman

Chief Executive Officer and  
Chairman of the Board

December 30, 2011

**REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS AND NOTES**

**YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

**CONTENTS**

	<i>PAGE</i>
FINANCIAL STATEMENTS	
Report of Independent Registered Public Accounting Firm-Goldstein Schechter Koch P.A.....	F-1
Report of Independent Registered Public Accounting Firm-Kramer Weisman and Associates...	F-2
Consolidated Balance Sheets.....	F-3
Consolidated Statements of Operations.....	F-4
Consolidated Statement of Cash Flows .....	F-5
Consolidated Statements of Stockholders' Deficit .....	F-6
Notes to the Financial Statements .....	F-7-18

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
Cleartronic, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheet of Cleartronic, Inc. and Subsidiary as of September 30, 2011 and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Cleartronic, Inc. and Subsidiaries as of September 30, 2010 were audited by other auditors, whose report dated December 31, 2010, expressed an unqualified opinion and included an explanatory paragraph regarding the Company's ability to continue as a going concern.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amount and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cleartronic, Inc. and Subsidiary as of September 30, 2011 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has a net loss of \$1,204,036 for the year ended September 30, 2011. The Company also had a working capital deficit of \$576,652 and a stockholders' deficit of \$698,321 at September 30, 2011. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Goldstein Schechter Koch P.A.

Hollywood, Florida  
December 30, 2011

F-1

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Cleartronic, Inc. and Subsidiaries  
Boca Raton, FL

We have audited the accompanying consolidated balance sheet of Cleartronic, Inc. and Subsidiaries as of September 30, 2010 and 2009 and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting.

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amount and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cleartronic, Inc. and Subsidiaries as of September 30, 2010 and 2009, and the results of their operations and their cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has a net loss of \$1,087,016 of \$415,162 for the years ended September 30, 2010 and 2009, respectively. The Company also had a working capital deficiency of \$6,483,574 and a stockholders' deficit of \$ 343,463 at September 30, 2010. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Kramer Weisman and Associates, LLP  
Davie, Florida  
December 31, 2010

F-2

**CLEARTRONIC, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2011 AND 2010**

**ASSETS**

	2011	2010
<b>Current assets:</b>		
Cash	\$ 39,188	\$ 22,348
Accounts receivable, net	-	5,019
Inventory	45,998	51,076
Prepaid expenses and other current assets	<u>8,656</u>	<u>32,407</u>
<b>Total current assets</b>	<b>93,842</b>	<b>110,850</b>
<b>Property and equipment, net</b>	<u><b>12,201</b></u>	<u><b>25,270</b></u>
<b>Total assets</b>	<u><b>\$ 106,043</b></u>	<u><b>\$ 136,120</b></u>

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

<b>Current liabilities:</b>		
Accounts payable	\$ 333,735	\$ 243,887
Accrued expenses	145,474	79,950
Deferred revenue, current portion	22,786	8,503
Notes payable - Stockholders	<u>168,499</u>	121,180
<b>Total current liabilities</b>	<b>670,494</b>	<b>453,520</b>
<b>Long Term Liabilities</b>		
Notes Payable - Stockholders	115,000	25,000
Deferred revenue, net of current portion	<u>18,870</u>	<u>1,063</u>
<b>Total long term liabilities</b>	<u><b>133,870</b></u>	<u><b>26,063</b></u>
<b>Total liabilities</b>	<u><b>804,364</b></u>	<u><b>479,583</b></u>
<b>Stockholders' deficit:</b>		
Series A preferred stock - \$.001 par value; 200,000,000 shares authorized, 1,074,000 and 250,000 shares issued and outstanding, respectively	1,074	250
Common stock - \$.001 par value; 1,250,000,000 shares authorized, 134,657,169 and 132,307,758 shares issued and outstanding, respectively	134,657	132,308
Additional paid-in capital	6,853,558	6,007,553
Accumulated Deficit	<u>(7,687,610)</u>	<u>(6,483,574)</u>
<b>Total stockholders' deficit</b>	<u><b>(698,321)</b></u>	<u><b>(343,463)</b></u>
<b>Total liabilities and stockholders' deficit</b>	<u><b>\$ 106,043</b></u>	<u><b>\$ 136,120</b></u>

The accompanying notes are an integral part of these consolidated financial statements

**CLEARTRONIC, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
Revenue	\$ 542,941	\$ 296,366
Cost of revenue	<u>274,094</u>	<u>136,489</u>
Gross profit	268,847	159,877
<b>Operating expenses:</b>		
Selling expenses	433,437	247,442
Administrative expenses	674,747	648,364
Research and development	237,013	219,384
Depreciation	<u>13,069</u>	<u>25,429</u>
<b>Total operating expenses</b>	<b>1,358,266</b>	<b>1,140,619</b>
<b>Other income (expenses)</b>		
Interest and other (expense)	(114,617)	(64,801)
(Loss) on impairment of equipment	-	(39,863)
(Loss) on disposal of equipment	<u>-</u>	<u>(1,610)</u>
<b>Total other expenses</b>	<b><u>(114,617)</u></b>	<b><u>(106,274)</u></b>
<b>(Loss) from operations</b>	<b><u>(1,204,036)</u></b>	<b><u>(1,087,016)</u></b>
<b>Net (loss)</b>	<b><u>\$ (1,204,036)</u></b>	<b><u>\$ (1,087,016)</u></b>
<b>Net (loss) per common share - basic and diluted</b>	<b>\$ (0.009)</b>	<b>\$ (0.010)</b>
<b>Weighted average number of shares outstanding</b>		
- basic and diluted	<u>129,879,740</u>	<u>107,721,047</u>

The accompanying notes are an integral part of these consolidated financial statements

F-4

**CLEARTRONIC, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	2011	2010
<b>Net (Loss)</b>	<b>\$ (1,204,036)</b>	<b>\$ (1,087,016)</b>
<b>Adjustments to reconcile net (loss) to net cash (used in) operating activities:</b>		
Depreciation	13,069	25,429
Loss on disposal of equipment	-	1,610

Loss on impairment of equipment	-	39,863
Common stock issued for services	53,657	182,252
Warrants issued for services	71,000	-
Amortization of notes payable discount	937	37,513
(Increase) decrease in assets:		
Accounts receivable	5,019	(3,879)
Inventory	5,078	(15,256)
Prepaid expenses and other current assets	23,751	(29,689)
Increase (decrease) in liabilities:		
Accounts payable	89,809	18,065
Accrued expenses	139,147	73,054
Deferred revenue	<u>32,090</u>	<u>(19,251)</u>
<b>Net cash (used in) operating activities</b>	<u><b>(770,479)</b></u>	<u><b>(777,305)</b></u>
<b>Cash Flows From Investing Activities:</b>		
Purchases of equipment	-	(4,004)
Disposal of equipment in connection with settlement	<u>-</u>	<u>6,663</u>
<b>Net cash provided by investing activities:</b>	<u><b>-</b></u>	<u><b>2,659</b></u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on notes payable	(2,681)	<b>(1,279)</b>
Proceeds from notes payable	140,000	40,000
Proceeds from issuance of common stock	-	500,000
Proceeds from issuance of preferred stock	<u>650,000</u>	<u>250,000</u>
<b>Net cash provided by financing activities</b>	<u><b>787,319</b></u>	<u><b>788,721</b></u>
<b>Net increase in cash</b>	<b>16,840</b>	<b>14,075</b>
<b>Cash - Beginning of year</b>	<u><b>22,348</b></u>	<u><b>8,273</b></u>
<b>Cash - End of year</b>	<u><u><b>\$ 39,188</b></u></u>	<u><u><b>\$ 22,348</b></u></u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	<u><u><b>\$ 17,170</b></u></u>	<u><u><b>\$ 15,079</b></u></u>

**Non-cash financing transactions:**

During the year ended September 30, 2011, the Company issued 8,581,446 common shares to non-employees for services rendered for \$53,654.

During the year ended September 30, 2011, the Company issued 2,372,409 common shares in lieu of cash dividends for \$23,724.

During the year ended September 30, 2011, the Company cancelled 17,400,000 common shares in exchange for 174,000 shares of Series A Preferred stock.

During the year ended September 30, 2011, the Company issued 8,795,556 common shares to company directors for services rendered for \$50,800.

During the year ended September 30, 2011, the Company issued 12,202,222 warrants to purchase common shares to consultants for services rendered for \$71,000.

During the year ended September 30, 2010, the Company issued 15,356,263 common shares to non-employees for services rendered amounting \$181,000.

During the year ended September 30, 2010, the Company issued 15,192,679 common shares for conversion of accrued expenses and accounts payable for \$267,392.

During the year ended September 30, 2010, the Company issued 1,818,832 common shares for conversion of notes payable and accrued interest payable for \$33,104.

The accompanying notes are an integral part of these consolidated financial statements

**CLEARTRONIC, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

	Series A Preferred Stock		Common Stock		paid-in	Accumulated	
	Shares	Amount	Shares	Amount	capital	deficit	Total
<b>BALANCE AT SEPTEMBER 30, 2009</b>	-	\$ -	71,717,454	\$ 71,717	\$ 4,830,648	\$ (5,396,558)	\$ (494,193)
Common Shares issued for cash			27,472,530	27,473	472,527		500,000
Preferred Shares issued for cash	250,000	250		-	249,750		250,000
Shares issued for non-employee services			15,356,263	15,356	165,644		181,000
Shares issued for note conversion			1,818,832	1,819	31,285		33,104
Shares issued in connection with debt issuance			750,000	750	5,500		6,250
Shares issued for conversion of accrued expenses			15,192,679	15,193	252,199		267,392
Net (loss) for the year ended September 30, 2010						(1,087,016)	(1,087,016)
<b>BALANCE AT SEPTEMBER 30, 2010</b>	<b>250,000</b>	<b>\$ 250</b>	<b>132,307,758</b>	<b>\$ 132,308</b>	<b>\$ 6,007,553</b>	<b>\$ (6,483,574)</b>	<b>\$ (343,463)</b>
Preferred Shares issued for cash	650,000	650	-	-	649,350		650,000
Shares issued for non-employee services	-	-	8,581,446	8,581	45,073		53,654
Shares issued in lieu of cash dividends	-	-	2,372,409	2,372	21,352		23,724
Shares cancelled in exchange for Preferred Shares	174,000	174	(17,400,000)	(17,400)	17,226		-
Shares issued for conversion of accrued expenses			8,795,556	8,796	42,004		50,800

Warrants issued in exchange for services						71,000			71,000			
Net (loss) for the year ended September 30, 2011								(1,204,036)	(1,204,036)			
<b>BALANCE AT SEPTEMBER 30, 2011</b>	<b>1,074,000</b>	<b>\$</b>	<b>1,074</b>	<b>134,657,169</b>	<b>\$</b>	<b>134,657</b>	<b>\$</b>	<b>6,853,558</b>	<b>\$</b>	<b>(7,687,610)</b>	<b>\$</b>	<b>(698,321)</b>

The accompanying notes are an integral part of these consolidated financial statements

F-6

## **CLEARTRONIC, INC. AND SUBSIDIARY Notes to Consolidated Financial Statements September 30, 2011 and 2010**

### **NOTE 1 - ORGANIZATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **ORGANIZATION**

Cleartronic, Inc. (the "Company") was incorporated in Florida on November 15, 1999 originally formed as a website developer under the name Menu Sites, Inc., which operations ceased in 2002.

In 2005, the Company became a provider of Voice Over Internet Protocol (VoIP) services and re-seller of international pre-paid telecommunication services and was renamed GlobalTel IP, Inc.

In November 2007, the Company formed, as Florida corporations, two wholly owned subsidiaries: Gulf Telco, Inc. and Voicelnterop, Inc.

In May 2008, the Company changed its name to Cleartronic, Inc.

In August 2008, the Company ceased re-selling international pre-paid telecommunication services, sold certain of its VoIP assets and discontinued all business in its subsidiary Gulf Telco. The Company began to transition its remaining VoIP business into managed unified group communication operations and the development of VoIP related products in its subsidiary Voicelnterop, Inc.

The Company now designs, builds and installs unified group communication solutions, including unique hardware and customized software, for public and private enterprises and markets those services and products under the Voicelnterop brand name. Voicelnterop is the Company's operating subsidiary. The Company is currently developing a demand response energy management solution targeting the consumer market.

#### **PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements and accompany notes have been prepared in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of Cleartronic, Inc. and its subsidiary, Voicelnterop, Inc. All intercompany transactions and balances have been eliminated.

#### **USE OF ESTIMATES**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the



balance sheet and operations for the reporting period. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

#### **CASH AND CASH EQUIVALENTS**

For financial statement purposes, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company did not own any cash equivalents at September 30, 2011 and 2010.

#### **ACCOUNTS RECEIVABLE**

The Company provides an allowance for uncollectible accounts based upon a periodic review and analysis of outstanding accounts receivable balances. Uncollectible receivables are charged to the allowance when deemed uncollectible. Recoveries of accounts previously written off are used to credit the allowance account in the periods in which the recoveries are made.

The Company has an Accounts Receivable Purchase and Security Agreement with Bridgeport Capital Resources of Birmingham, AL. Under the terms of the agreement the Company sells certain acceptable accounts receivable to Bridgeport Capital at a discount to the receivable face value. Discounts can range between 2.25 and 6.25 percent depending on the length of time the receivable remains outstanding.

The Company provided no allowance for doubtful accounts for the year ended September 30, 2011 and \$1,000 for the year ended September 30, 2010.

F-7

#### **LONG-LIVED ASSETS**

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of long-lived assets. If and when such factors, events or circumstances indicate possible impairment to long lived-assets the Company makes an estimate of undiscounted cash flows over the remaining lives of the respective assets in measuring recoverability from future operations. There was no impairment of assets for the year ended September 30, 2011. For the year ended September 30, 2010, the Company wrote off \$39,863 in impairment of equipment.

#### **CONCENTRATION OF CREDIT RISK**

The Company maintains cash balances at one banking institution. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts are fully insured, regardless of the amount in the account, at all FDIC-insured institutions.

#### **RESEARCH AND DEVELOPMENT COSTS**

The Company expenses research and development costs as incurred. For the years ended September 30, 2011 and 2010, the Company had \$237,013 and \$219,384, respectively, in research and development costs.

#### **COMPREHENSIVE INCOME**

The Company had no comprehensive income during the years ended September 30, 2011 and 2010.

#### **REVENUE RECOGNITION AND DEFERRED REVENUES**

Unified group communication solutions consist of three elements to be provided to customers: software licenses and equipment purchased from third-party vendors,

proprietary hardware that is manufactured on contract to required specifications and installation and integration of the hardware and software into the cohesive communication source.

The Company's revenue recognition policies are in accordance with Accounting Standards Codification 605-10 "Revenue Recognition" (ASC 605-10). Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. No right of return privileges are granted to customers after shipment. The Company recognizes revenue for the elements separately as the sales of the equipment and software, installation and integration, and support services represent separate earnings processes that are generally specified under separate agreements.

Revenue from the resale of equipment utilized in unified group communication solutions is recognized when shipped. For software licenses, the Company does not provide any services that are considered essential to the functionality of the software, and therefore revenue is recognized upon delivery of the software, provided (1) there is evidence of an arrangement, (2) collection of the fee is considered probable and (3) the fee is fixed and determinable.

The Company also provides support to customers under separate contracts varying from one to five years. The Company's obligations under its service contracts vary by the length of the contract. In all cases the Company is the primary obligor to provide first level support to the client. If the contract has less than one year of service and support remaining on the contract, it is classified as a current liability; if longer, it is classified as a non-current liability.

Installation and integration services are recognized upon completion.

F-8

## **EARNINGS PER SHARE**

In accordance with accounting guidance now codified as FASB ASC 260 "Earning per Share", basic income (loss) per common share is calculated using the weighted average number of shares outstanding during the periods reported. Diluted earnings per share include the weighted average effect of all dilutive securities outstanding during the periods presented. Diluted per share loss is the same as basic per share loss when there is a loss from continuing operations. Accordingly, for purposes of diluted earnings per share, the Company excluded the effect of warrants and options as of September 30, 2011 and 2010 for 34,538,487 and 22,471,265 shares, respectively.

## **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company adopted ASC topic 820, "Fair Value Measurements and Disclosures" (ASC 820), formerly SFAS No. 157 "Fair Value Measurements," effective January 1, 2009. ASC 820 defines "fair value" as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There was no impact relating to the adoption of ASC 820 to the Company's consolidated financial statements.

ASC 820 also describes three levels of inputs that may be used to measure fair value:

- Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial instruments consist principally of cash, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued expenses and deferred revenue. The carrying amounts of such financial instruments in the accompanying consolidated balance sheet approximate their fair values due to their relatively short-term nature. The fair value of long-term debt is based on current rates at which the Company could borrow funds with similar remaining maturities. The carrying amounts approximate fair value. It is management's opinion that the Company is not exposed to any significant currency or credit risks arising from these financial instruments.

### **INVENTORY**

Inventory consists of components held for assembly and finished goods held for resale or to be utilized for installation in projects. Inventory is valued at lower of cost or market on a first-in, first-out basis. The Company's policy is to record a reserve for technological obsolescence or slow-moving inventory items. No reserve was made for inventory balances as of September 30, 2011 and 2010.

### **PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost. For financial statement purposes depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the asset.

Expenditures for replacements, maintenance and repairs that do not extend the lives of the respective assets are charged to expense as incurred. When assets are retired, sold or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are recognized.

F-9

### **INCOME TAXES**

The Company accounts for income taxes in accordance with accounting guidance now codified as FASB ASC Topic 740, "Income Taxes," which requires that the Company recognizes income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a tax rate change on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The Company records valuation allowance to reduce net deferred tax assets to the amount considered more likely than not to be realized. Changes in estimates of future taxable income can materially change the amount of such valuation allowances.

### **STOCK-BASED COMPENSATION**

Effective January 1, 2006, the Company adopted the fair value recognition provisions of

Accounting Standards Codification 718-10 "Compensation" (ASC 718-10) using the modified retrospective transition method. ASC 718-10 (formerly SFAS 123R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods. The Company has estimated the fair value of each award as of the date of grant or assumption using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes option pricing model considers, among other factors, the expected life of the award and the expected volatility of the Company's stock price. In March 2005, the SEC issued SAB No. 107, Share-Based Payment ("SAB 107") which provides guidance regarding the interaction of ASC 718-10 and certain SEC rules and regulations. The Company has applied the provisions of SAB 107 in its adoption of ASC 718-10.

#### **ADVERTISING COSTS**

Advertising costs are expensed as incurred. The Company had advertising costs of \$4,144 during the year ended September 30, 2011 and \$3,649 during the year ended September 30, 2010.

#### **NOTE 2 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In May 2011, the Financial Accounting Standards Board ("FASB") issued an update to the fair value measurement guidance to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. The amendments in the update change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendment is not intended to result in a change in the application of the requirements in the Fair Value Measurements Topic in the ASC. This guidance is effective for annual periods beginning after December 15, 2011. Early application is permitted. The Company is expecting to adopt this guidance in the fiscal year 2012. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In June 2011, the FASB issued new guidance on the presentation of comprehensive income. This guidance eliminates the current option to report Other Comprehensive Income ("OCI") and its components in the statement of changes in equity. Under this guidance, an entity can elect to present items of net income and OCI in one continuous statement or in two separate, but consecutive, statements. In addition, the guidance requires entities to show the effects of items reclassified from OCI to net income on the face of the financial statements. This guidance is effective for fiscal years beginning after December 15, 2012 and interim and annual periods thereafter. Early adoption is permitted, but full retrospective application is required. The FASB has issued a proposal that would defer the requirement to separately present within net income reclassification adjustments of items out of accumulated other comprehensive income. The proposed deferral is intended to be temporary until the FASB has time to reconsider these changes. The other provisions of the guidance will become effective as originally planned by the FASB. The Company is expecting to adopt this guidance in the fiscal year 2012. The adoption of this guidance will not have an impact on the Company's consolidated financial statements.

In September 2011, the FASB issued amended guidance on goodwill impairment testing. Under the revised guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit. Because the qualitative assessment is optional, entities may bypass it for any reporting unit in any period and begin their impairment analysis with the quantitative calculation in step 1. Entities may resume performing the qualitative assessment in any subsequent period. In the qualitative assessment, entities would determine whether it is more likely than not (i.e., a likelihood of more than 50 percent) that the fair value of the reporting unit is less than the carrying amount. If entities determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. However, if it is not more likely than not that the fair value of the reporting unit is less than the carrying amount, further testing of goodwill for impairment would not be performed. The guidance does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. In addition, the guidance does not amend the requirement to test goodwill for impairment between annual tests if events or circumstances warrant, however, it does revise the examples of events and circumstances that an entity should consider. The amended guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this guidance will not have an impact on the Company's consolidated financial statements.

### **NOTE 3 - GOING CONCERN**

During the years ended September 30, 2011 and 2010, and since inception, the Company has experienced cash flow problems. From time-to-time, the Company has experienced difficulties meeting its obligations as they became due. As reflected in the accompanying consolidated financial statements, the Company incurred net losses from operations of approximately \$1,204,000 for the year ended September 30, 2011 and had working capital deficit of approximately \$577,000 for the year ended September 30, 2010. The Company also had an accumulated deficit of \$7,687,610 and a stockholders' deficit of \$698,321 at September 30, 2011. These matters raise substantial doubt about the Company's ability to continue as a going concern.

In fiscal year 2007, the Company began its transition from the business of providing VoIP services directly to agents and resellers to the management of VoIP communication services and to design and install unified group communication solutions for public and private enterprises. In fiscal year 2008, the Company completed initial design for an IP gateway device (AM360) and began manufacturing and assembly and marketing. The Company has marketed and sold these devices for the past three years and intends to expand the capabilities of the devices to allow them to be sold into a larger market sectors. The Company has completed development of an Application Service Provider or "Hosted" solution for voice interoperability that is available to customers as a subscription service. The Company discontinued two pilot programs for this service and has discontinued efforts to market this subscription service. The Company is currently developing a demand response energy management solution targeting the consumer market. The development of this solution will require substantial increases in research and development expenses and will require the Company to rely on equity and debt financing to supplement cash flow from operations. Management believes its new business strategy and anticipated increases in revenue and gross margins will enable it to alleviate some its liquidity and profitability issues. However, as part of its revised business strategy, and in recognition of current economic conditions, the Company plans to raise additional debt or equity capital and is discussing debt and equity finance options with private individuals and allied groups.

The Company anticipates that it will have to continue to rely on periodic infusions of equity capital and/or substantial credit facilities to meet its financial obligations.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue its existence.

**NOTE 4 - PROPERTY AND EQUIPMENT**

The Company's property and equipment as of September 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>	<u>ESTIMATED USEFUL LIFE (IN YEARS)</u>
Software	\$ 47,823	\$ 47,823	4
Network equipment	32,653	32,653	4
RoIP equipment and software	3,873	3,873	5
Office equipment and furniture	30,226	30,226	5
Testing and R & D equipment	21,550	21,550	5
	136,125	136,125	
Less accumulated depreciation	(123,294)	(110,855)	
Net property and equipment	\$ 12,201	\$ 25,270	

During the year ended September 30, 2010, management determined that certain equipment held for use in research and development would not be used and were therefore impaired. The Company recognized a loss on impairment of approximately \$39,000.

Depreciation expense totaled \$13,069 and \$25,429 for the years ended September 30, 2011 and 2010, respectively.

**NOTE 5 - DEFERRED TAX ASSETS**

The Company calculates its deferred tax assets based upon its consolidated net operating loss (NOL) carryovers available to offset future taxable income, net of other tax credit(s) or tax deferred liabilities, if any. No deferred tax assets for the years ended September 30, 2011 and 2010 have been recorded since any available deferred tax assets are fully offset by increases in its valuation allowances. The Company increased its valuation allowance based on its history of consolidated net losses.

Deferred income taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes plus any available consolidated, net deferred tax credits. Significant components of the Company's net deferred income tax assets (liabilities) are:

	<u>2011</u>	<u>2010</u>
Consolidated NOL carryover	\$ 7,207,000	\$ 6,002,000
Deferred tax asset from NOL carryover arising from current net effective tax rate	\$ 2,810,000	\$ 2,340,000
Net deferred income tax asset	2,810,000	2,340,000
Less: valuation allowance	(2,810,000)	(2,340,000)
Total deferred income tax assets	<u>\$ 0.00</u>	<u>\$ 0.00</u>

A reconciliation of the Federal and respective State income tax rate as a percentage of income before taxes is as follows:

	<u>2011</u>	<u>2010</u>
Federal statutory income tax rate	34.0%	34.0%
State taxes, net of federal benefit	5.0	5.0%
Effective rate for deferred tax asset	39.0%	39.0%
Less: Valuation allowance	(39.0%)	(39.0%)
Effective income tax rate	<u>0.0%</u>	<u>0.0%</u>

A valuation allowance is required if it is more likely than not that some or the entire portion of the deferred tax asset will not be realized. For income tax purposes, the Company has approximately \$7,207,000 in consolidated net operating loss carry forwards, subject to

limitations, that expire in the years 2014 through 2030. The valuation allowance increased \$470,000 in 2011 due to an increase in the consolidated NOL carryover of \$1.2 million.

In May 2007, the FASB issued FASB Staff Position ("FSP") FIN 48-1 "Definition of Settlement in FASB Interpretation No. 48" (FSP FIN 48-1). Now codified FASB ASC 740-10-25-9 provides guidance on how to determine whether a tax position is effectively settled for purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is effective retroactively to January 1, 2007. The implementation of this standard did not have a material impact on our consolidated financial position or results of operation.

F-12

#### **NOTE 6 - NOTES PAYABLE - STOCKHOLDERS**

In the year ended September 30, 2011, the Company issued two promissory notes totaling \$140,000 to two individual stockholders of the Company. The first note in the amount of \$50,000 bears interest at 15%, is payable quarterly, and matures on December 31, 2011. The second note in the amount of \$90,000 bears interest at 10%, is payable quarterly, and matures on December 31, 2012.

In the year ended September 30, 2010, the Company issued three promissory notes totaling \$40,000 to three individual stockholders of the Company. Two of the notes, which total \$15,000, bear interest at 15% which is payable quarterly, and was to mature in December 2010. The maturity was extended to December 2011. One of the notes, in the amount of \$25,000, bears interest at 10%, is payable quarterly, and matures on December 31, 2012. In January 2010, one shareholder converted a promissory note in the amount of \$32,063 plus accrued interest in the amount of \$1,037 into 1,818,832 shares of the Company's restricted common stock.

In connection with two of the notes payable to stockholders, the Company issued 750,000 restricted shares of common stock. The common stock was valued at \$3,750 based on the fair value of the stock at the time of issuance. The discount is being recognized over the life of the notes payable, which matured in December 2010. The Company recognized \$937 and \$2,813 of the discount as interest expense for the years ended September 30, 2011 and 2010, respectively.

In the year ended September 30, 2009, the Company issued four promissory notes totaling \$112,459 to four individual stockholders of the Company. Three of the notes, which total \$86,959, bear interest at 15% and are payable quarterly. These notes were to mature in August 2010. The fourth note for \$25,500 bears interest of 14% payable monthly and was to mature in December 2009. The maturity of all of these notes was extended to December 31, 2011.

In connection with three of the notes payable to stockholders issued during the year ended September 30, 2009, the Company issued 4,097,975 restricted shares of common stock. The common stock was valued at \$35,128 based on the fair value of the stock at the time of issuance. The discount is being recognized over the life of the notes payable, which mature in August 2010. The Company recognized \$32,201 and \$2,927 of the discount as interest expense for the years ended September 30, 2010 and 2009, respectively.



In connection with the one of the notes payable for \$25,500 the Company made principal payments of \$2,681 and \$1,279 for the year ended September 30, 2011 and 2010, respectively. The Company issued a new note in 2011 in the principal amount of \$21,540 bearing interest at 14% and maturing on December 31, 2011.

Interest expense on notes payable – stockholders was \$22,752 in 2011 and \$58,207 in 2010.

F-13

## **NOTE 7 - EQUITY TRANSACTIONS**

### ***Preferred Stock***

In June 2010, the Board of Directors voted to amend the Company's Articles of Incorporation in order to and authorize the issuance of 200 million shares of Preferred Stock with a par value of \$0.001 per share. Concurrently, the Board designated the preferred stock as Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred stock is convertible into the Company's common stock after two years at a conversion price of \$0.01 per share at the holder's option. Each Series A Preferred Holder is also entitled to receive cumulative dividends at the rate of 8% of \$1.00 per annum on each outstanding share of Series A Preferred then held by such Series A Preferred Holder, on a pro rata basis.

In May 2011, the Company issued 174,000 shares of Series A Convertible Preferred Stock to one shareholder in exchange for the shareholder's agreement to cancel 17,400,000 shares of the Company's common stock issued and registered to the shareholder.

In November 2010, the Company issued 250,000 shares of Series A Convertible Preferred Stock to one shareholder for \$250,000 and in March 2011, the Company issued an additional 400,000 shares of Series A Convertible Preferred Stock to the same shareholder for \$400,000.

In June 2010, the Company issued 250,000 shares of Series A Convertible Preferred Stock to one shareholder for \$250,000.

Dividends payable on Series A Convertible Preferred Stock of approximately \$66,000 are included in Accrued Expenses at September 30, 2011.

### ***Common Stock***

On April 21, 2011, the Board of Directors voted to increase the Company's authorized shares of common stock to 1,250,000,000 shares.

#### ***Common Stock issued for cash***

During the year ended September 30, 2010 the Company sold 13,736,625 units consisting of two shares of the Company's restricted common stock and a warrant for the purchase of one share of the Company's common stock at a price of \$0.0364 per unit for net proceeds of \$500,000. The unit sales were completed in five separate installments of 2,747,253 units each. The 13,736,625 warrants have an exercise price of \$0.10 and were valued at approximately \$10,000 using the Black Scholes Merton Option pricing model with the following range of

assumptions for the five issuances – risk-free interest rate of 1.25% to 1.50%; expected dividend yield of 0%; expected life of 2 years; expected volatility of 80% to 90%. The common stock price range upon issuance was between \$0.012 and \$0.018 per share.

#### *Common Stock issued for services*

In April 2011, the Company issued 8,581,446 shares of the Company's common stock to two consultants in exchange for services valued at approximately \$54,000.

In September 2011, two officers and directors of the Company converted accrued consulting fees of \$50,800 into 8,795,556 shares of common stock. The Company accounted for these transactions pursuant to ASC 718-10 (formerly FASB 123(R)) and Staff Accounting Bulletin No. 107 under which costs or values are measured at the estimated fair market value of the consideration received or equities issued whichever is more readily determinable.

During the year ended September 30, 2010 the Company also issued 15,356,263 shares to consultants, officers and directors for services rendered during the year of approximately \$182,000. Between December 2009 to February 2010, four individuals and two officers and directors of the Company converted accrued consulting fees of approximately \$216,000 into 12,264,828 shares of common stock and the Company converted accounts payable of approximately \$51,000 into 2,927,851 shares of common stock. The Company accounted for these transactions pursuant to ASC 718-10 (formerly FASB 123(R)) and Staff Accounting Bulletin No. 107 under which costs or values are measured at the estimated fair market value of the consideration received or equities issued whichever is more readily determinable.

F-14

#### *Common Stock issued in lieu of cash dividends*

In April 2011, the Company issued 2,372,409 shares of the Company's common stock to preferred shareholders in lieu of a cash dividend of \$23,724.

#### *Common Stock issued for conversion of notes and in connection with debt issuance*

In January 2010, a shareholder converted a note payable and accrued interest of approximately \$33,000 into 1,818,832 shares of common stock.

In December 2010, the Company issued 750,000 shares of common stock to two shareholders as discounts on notes payable in the amount of \$15,000. The discounts are amortized to interest over the life of the respective notes.

#### **Consultant Stock Plans**

During the year ended September 30, 2011 the Company adopted the Cleartronic, Inc. 2011 Consultant Stock Plan to assist the Company in obtaining and retaining the services of persons providing consulting services to the Company. In April 2011, the Company filed a registration statement with the Securities and Exchange Commission registering 20,000,000 shares of the Company's common stock for issuance under the plan.

During the year ended September 30, 2005 the Company adopted the GlobalTel IP, Inc. 2005 Incentive Equity Plan (the "Plan") allocating up to five million shares of the Company's common stock to offer incentives to key employees, contractors, directors and officers. On July 18, 2007, the Board of Directors, pursuant to the Plan, granted 3,050,000 options to 4 employees (including 2 officers and directors), and 2 consultants at an exercise price of \$0.275. The 2,000,000 options issued to the 2 officers and directors vested upon issuance and expire on July 31, 2012. In May 2008, the Board authorized an expansion of the number of shares allocated to the Plan to a total of 15,000,000 shares (10,000,000 additional shares of common stock). Pursuant to the Plan, in September 2008 the Board authorized a grant of 2,300,000 options to six employees (including 2 officers and directors) at an exercise price of \$0.12 and expiring December 31, 2013. In September 2009, pursuant to the Plan, the Board authorized a grant of 4,000,000 options to six consultants (including 2 officers and directors) at an exercise price of \$0.03 per share that expire December 31, 2014. In September 2009, two officers and directors cancelled 1,250,000 options each. Each of the option cancellations were for 250,000 shares at an exercise price of \$0.20 expiring March 1, 2010 and 1,000,000 shares at an exercise price of \$0.275 per share expiring on July 31,

The following table summarizes information about stock options outstanding at September 30, 2011:

	Stock Options	
	Shares	Wtd. Avg. Exercise Price
Outstanding at September 30, 2009	8,450,000	\$0.105
Granted/Issued	--	--
Exercised	--	--
Expired/Canceled	1,350,000	\$0.200
Outstanding at September 30, 2010	7,100,000	\$0.087
Granted/Issued	--	--
Exercised	--	--
Expired/Canceled	--	--
Outstanding at September 30, 2011	7,100,000	\$0.087

The following table summarizes the number of outstanding options with their corresponding contractual life, as well as the exercisable weighted average (WA) outstanding exercise price, and number of vested options with the corresponding exercise price by price range.

Range	Outstanding		Exercisable		
	Outstanding Options	Remaining Contractual Life	WA Outstanding Exercise Price	WA Vested Options	WA Vested Exercise Price
\$0.00 to \$0.030	4,000,000	4.25 yrs	\$0.030	4,000,000	\$0.030
\$0.04 to \$0.120	2,300,000	2.25 yrs	\$0.120	2,300,000	\$0.120
\$0.20 to \$0.275	<u>800,000</u>	<u>0.84 yrs</u>	<u>\$0.275</u>	<u>800,000</u>	<u>\$0.275</u>
	7,100,000	2.45 yrs	\$0.105	7,100,000	\$0.087

In October 2010 the 2005 Incentive Equity Plan expired. During the year ended September 30, 2011, the Company granted no options and no options expired or were cancelled.

Outstanding options held by related parties as of September 30, 2011 and 2010 amounted to 4,600,000.

## Warrants

During the year ended September 30, 2011, 12,202,222 warrants were issued to three consultants for services rendered (including one officer and director). The Company recorded an expense of \$71,000 as a result of the issuance.

F-16

The Company applied fair value accounting for all share based payment awards. The fair value of each warrant granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes assumptions used are as follows:

Exercise price	\$0.01 - \$0.001
Expected dividends	0%
Expected volatility	199%
Risk free interest rate	0.96%
Expected life of warrant	5 years
Expected forfeitures	0%

During the year ended September 30, 2010, 13,736,625 warrants were issued to one shareholder as part of 5 unit purchase agreements, no warrants expired and no warrants were cancelled.

The following is a summary of the Company's warrant activity:

	<u>Warrants</u>	<u>Weighted average exercise price</u>
Outstanding at September 30, 2009	1,635,000	\$ 0.275
Granted	13,736,265	\$ 0.100
Exercised	-	\$ -
Outstanding at September 30, 2010	15,371,265	
Granted	12,202,222	\$ 0.001
Exercised	-	
Forfeited/Cancelled	(135,000)	\$ 0.200
Outstanding at September 30, 2011	<u>27,438,487</u>	<u>\$ 0.070</u>
Warrants exercisable at September 30, 2011	<u>27,438,487</u>	<u>\$ 0.070</u>
Warrants outstanding at September 30, 2011	<u>27,438,487</u>	<u>\$ 0.070</u>

The following table summarizes the number of outstanding warrants with their corresponding contractual life, as well as the exercisable weighted average (WA) outstanding exercise price, and number of vested warrants with the corresponding exercise price by price range.

Range	<u>Outstanding</u>		<u>Exercisable</u>	
	Outstanding Warrants	WA Remaining Contractual Life	WA Outstanding Exercise Price	WA Vested Warrants
\$0.001 to \$0.275	27,438,487	1.92 yrs	\$ 0.07	27,438,487
				\$ 0.07

F-17

## NOTE 8 - RELATED PARTY TRANSACTIONS

Included in Accounts Payable is approximately \$9,400 and \$19,000 at September 30, 2011 and September 30, 2010, respectively, due to an officer of the Company.

During the year ended September 30, 2011, the Company issued 10,290,370 warrants to an officer and director of the Company for services valued at \$56,000.

During the year ended September 30, 2011, the Company issued 8,796,000 shares to two officers and directors of the Company for services valued at \$50,800.

For the year ended September 30, 2010, the Company issued 1,529,411 shares of common stock to a financial advisor in exchange for services valued at \$24,470 and paid cash compensation totaling approximately \$20,000.

For the year ended September 30, 2009, the Company issued 2,262,500 shares of common stock to a financial advisor in exchange for services valued at \$52,875, in consideration for cancellation of all outstanding warrants held by him and paid cash compensation totaling \$10,000.

## **NOTE 9 - COMMITMENTS AND CONTINGENCIES**

### *OBLIGATIONS UNDER OPERATING LEASES*

The Company leases approximately 3,400 square feet for its principal offices in Boca Raton, Florida at a monthly rental of approximately \$6,500. The lease, which provides for annual increases of base rent of 4%, expires on November 30, 2014.

Future lease commitments are as follows for the years ended September 30:

2012	76,831
2013	79,904
2014	<u>83,100</u>
	<u>\$ 239,835</u>

Rental expense incurred during the years ended September 30, 2011 and 2010 was \$82,578 and \$104,063, respectively.

### *MAJOR CUSTOMER*

Approximately 55% of the Company's revenues for the year ended September 30, 2011 was derived from five customers.

### *MAJOR SUPPLIER AND SOLE MANUFACTURING SOURCE*

During 2011 and 2010, the Company's unified group communication services business relied primarily on one major vendor to supply its software development platform. During the years ended September 30, 2011 and 2010, this vendor represented approximately 67% and 26%, respectively, of the total cost of revenue. The Company has contracted with a single local manufacturing facility to maintain its component parts inventory and to assemble its developed line of IP gateway devices. Interruption to either its software vendor or manufacturing source presents additional risk to the Company. The Company believes that other commercial facilities exist at competitive rates to match the resources and capabilities of its existing manufacturing source.

## **NOTE 10 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 30, 2011, which is the date the consolidated financial statements were issued.

In November 2011, the Company entered into a Securities Purchase Agreement with a private investor in connection with the issuance of a 8% convertible note in the amount of \$60,000. The note matures on August 17, 2012 and is convertible into shares of the Company's common stock at a variable conversion price (58% multiplied by the market price).

In December 2011, the Company issued a promissory note to a stockholder for \$45,000. The note bears interest at 10%, is payable quarterly and matures on December 31, 2012.



Exhibit 10.4

LEASE AGREEMENT

between

**BGNP Associates, LLC**

and

**Cleartronic, Inc.**

Dated: December 1, 2010

Suite 100 (\*100-109)

8000 Building  
8000 North Federal Highway  
Boca Raton, FL 33487

1

SUMMARY OF LEASE

THIS DOCUMENT IS MERELY A SUMMARY AND ANY PROVISIONS OF THE LEASE AND OTHER AGREEMENTS BETWEEN LANDLORD AND TENANT SHALL PREVAIL OVER CONFLICTING PROVISIONS CONTAINED HEREIN.

- (A) LANDLORD'S MAILING ADDRESS: BGNP Associates, LLC  
8000 N Federal Hwy, #200  
Boca Raton, FL 33487
- (B) TENANT'S NAME: Cleartronic, Inc.  
MAILING ADDRESS: 8000 North Federal Highway,  
Suite 100  
Boca Raton, FL 33487
- (C) DEMISED PREMISES: 8000 North Federal Highway,  
Suite100  
Boca Raton, FL 33487
- (D) TERM: 48 Months
- (E) COMMENCEMENT DATE: December 10, 2010  
EXPIRATION DATE: 48 months from Commencement Date
- (F) BASE RENT:

<u>LEASE TERM</u>	<u>ANNUAL BASE RENT</u>	<u>MONTHLY INSTALLMENT</u>
1 through 12 Months	\$ 72,876.00	\$ 6,156.33
13 through 24 Months	\$ 76,831.08	\$ 6,402.59
25 through 36 Months	\$ 79,904.28	\$ 6,658.69
37 through 48 Months	\$ 83,100.48	\$ 6,925.04

- (G) SECURITY/DAMAGE DEPOSIT: \$ 6,156.33
- (H) LAST MONTH RENT ON DEPOSIT: \$ 2,500.00
- (I) PERMITTED USE.: General Office
- (J) ADDENDUMS: A,B, C & D

Please make all checks payable to **BGNP Associates, LLC**  
8000 N Federal Hwy #200  
Boca Raton, Florida 33487

INSURANCE CERTIFICATES SHALL INCLUDE **BGNP Associates, LLC** AS AN ADDITIONAL INSURED ON ALL INSURANCE POLICIES.



## LEASE AGREEMENT

THIS LEASE AGREEMENT (herein after referred to as the "Lease:") is made and entered into as of the 1<sup>st</sup> of December, 2010 by and between BGNP Associates, LLC, a Florida limited partnership (hereinafter referred to as "Landlord") and Cleartronic, Inc., a Florida Corporation (herein referred to as "Tenant").

### W I T N E S S E T H:

THAT LANDLORD, in consideration of the rents and agreements hereafter promised and agreed by Tenant to be paid and performed, does hereby lease to Tenant, and Tenant does hereby lease from Landlord, the real property described herein, subject to the following terms.

## ARTICLE I

### DESCRIPTION OF PROPERTY; TERM

**Section 1.1 Description of Property.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the following space (hereinafter called the "Demised Premises" or "Premises") as shown on **Exhibit "A"** attached hereto and made a part of this Lease, in the building known as 8000 Building, located at 8000 North Federal Highway, Suite \_\_\_\_\_, Boca Raton, Florida 33487, (hereinafter called the "Building"), together with the right to use in common with other tenants of the Building, their invitees, customers and employees, the lobby areas, stairways, elevators, hallways, lavatories and all other common facilities contained in the Building and the general parking area throughout. All of the land and real property underlying the Building or adjacent thereto, with all improvements thereto including the Building, and used in connection with the operation of the Building shall be referred to herein as the "Property".

**Section 1.2 Term.** Tenant shall have and hold the Premises for a term of \_\_\_\_\_ months (hereinafter referred to as the "Term" or "Lease Term"), commencing on \_\_\_\_\_ (the "Commencement Date") and expiring \_\_\_\_\_ months thereafter (the "Expiration Date"). If the Term of this Lease commences on any day of the month other than the first day, rent from such date to the end of such month shall be prorated according to the number of days in such month and paid on a per diem basis, in advance, on or before the Commencement Date. Tenant agrees that it will execute prior to occupancy, an Estoppel Certificate in the form attached hereto as **Exhibit "B"**, as modified by Tenant to make the statements contained herein accurate. Tenant's failure or refusal to execute said Estoppel Certificate shall constitute a default hereunder.

## ARTICLE II

### BASE RENT

**Section 2.1 Base Rent; Late Charge; Sales Tax.** Tenant agrees to pay Landlord an aggregate base rent for the first year of the Lease Term in the amount of \$ 73,876.00 (the "Base Rent"), payable in twelve (12) equal monthly installments (\$ 6,156.33) and the second year \$ 76,831.08, (the "Base Rent"), payable in twelve (12) equal monthly installments (\$6,402.59), and the third year \$ 79,904.28, (the "Base Rent"), payable in twelve (12) equal monthly installments (\$6,658.69), and the fourth year \$ 83,100.48, (the "Base Rent"), payable in twelve (12) equal monthly installments(\$6,925.04), in advance of the first day of each and every month during the first year of the Lease Term. The first month's Base Rent, Additional Rent and sales tax security deposit thereon, shall be paid simultaneously with the execution of this Lease. In addition and throughout the term of this lease, the Tenant shall be responsible for the payment of Additional Rent as provided in Article III below (the Base Rent and Additional Rent shall sometimes be collectively referred to as the "Rent"). In the event any monthly Rent payment is not paid within ten (10) days after it is due, after each such occurrence in any calendar year, Tenant agrees to pay a late charge of ten (10%) percent of the amount of the payment due. If any payment made by Tenant should be returned by our bank due to non-sufficient funds or stopped payment, Tenant agrees to pay a returned items fee of thirty-five dollars (\$35.00), in addition to the aforementioned late fee.



Tenant further agrees that the late charge imposed is fair and reasonable, complies with all the laws, regulations and statutes, and constitutes an agreement between Landlord and Tenant as to the estimated compensation for the costs and administrative expenses incurred by Landlord due to the late payment of Rent to Landlord by Tenant. Tenant further agrees that the late charges assessed pursuant to this Lease is not interest, and the late charge assessed does not constitute a lender or borrower/creditor relationship between Landlord and Tenant, and may be treated by Landlord as Additional Rent owed by Tenant. Tenant shall pay to Landlord all sales or use taxes pertaining to the Rent (currently 6.0%), which shall be remitted by Landlord to the Florida Department of Revenue.

**Section 2.2 Base Rental Adjustment.** Commencing on the first anniversary of the Lease Term, and each anniversary thereafter (inclusive of any renewals), the Base Rent shall be adjusted by an increase of four (4%) percent over the previous year's base rent.

**Section 2.3 Payment Without Notice or Demand.** The Rent called for in this Lease shall be paid to Landlord without notice or demand, and without counterclaim, offset, deduction, abatement, suspension, deferment, diminution or reduction. Tenant hereby waives all rights now or hereafter conferred by statute or otherwise to quit, terminate or surrender this Lease or the Premises or any part hereof, or to any abatement, suspensions, deferment, diminution or reduction of the Rent on account of any such circumstances or occurrence.

**Section 2.4 Place of Payment.** All payments of Rent shall be made and paid by Tenant to BGNP Associates, LLC, 8000 N Federal Highway, Suite 200, Boca Raton, Florida 33487 or at such other place as Landlord may, from time to time, designate in writing to Tenant. All Rent shall be payable in current legal tender of the United States, as the same is then by law constituted. Any extension, indulgence, or waiver granted or permitted by Landlord in the time, manner or mode of payment of Rent, upon any one (1) occasion, shall not be construed as a continuing extension, indulgence or waiver, and shall not preclude Landlord from demanding strict compliance herewith.

**Section 2.5 Early Termination.** Intentionally left blank.

**Section 2.6 Option to Renew.** Intentionally left blank.

**Section 2.7 First Right of Offer.** Tenant shall have a onetime First Right of Offer on the space which is directly adjacent to the demised premises upon the current lease for said space expiring. The First Right of Offer shall be at the current lease rate that would be offered to a new tenant; however it will never be less than the current lease rate that the existing Tenant is paying at the termination of the lease. Tenant shall have three (3) business days from notice of space availability to accept or decline the additional space.

## ARTICLE III

### ADDITIONAL RENT

**Section 3.1 Additional Rent** Intentionally left blank.

## ARTICLE IV

### SECURITY/DAMAGE DEPOSIT

**Section 4.1 Security/Damage Deposit.** parties acknowledge that the Landlord is holding the sum of \$ 6,156.33 to be held by Landlord as a damage deposit and/or as security for the performance by Tenant of all of the terms, covenants and conditions hereof and the payment of Rent or any other sum due Landlord hereunder. Landlord shall have the right to apply all or any part of the security deposit against: (a) unreasonable wear and tear of the Premises; (b) loss or damage to the Premises or other property of the Landlord caused by the negligence of Tenant, Tenant's employees, agents invitee or licensees; (c) the cost of repairing the Premises, except for reasonable wear and tear, to the same condition it was in at the time Tenant began occupancy thereof; and (d) Rent payments which remain due and owing beyond any applicable grace period. Landlord shall not be limited in pursuing Landlord's remedies against Tenant for costs, losses or damages to the Premises or to any other property of Landlord for any such costs, losses or damages which are in excess of the above described security deposit amount. Subject to (a) through (d) above, Landlord shall return Tenant's Security Deposit within twenty (20) days after Lease Termination. Such security deposit shall bear no interest and may be commingled with other security deposits or funds of Landlord.

## ARTICLE V

### USE OF PREMISES

**Section 5.1 Use of Premises.** Landlord represents that the premises are located within the City Of Boca Raton and that the premises have a zoning designation of LIRP. Tenant represents that its intended use of the premises is consistent with the LIRP zoning designation and tenant represents that it will not use the premises for any propose that will be inconsistent with the LIRP zoning designation. Tenant shall have the responsibility to comply with all applicable zoning codes and regulations. Tenant shall use the premises for general office and will not use the premises for any other use without first obtaining written consent of the landlord. Tenant will not use or permit the use of the Premises or any part thereof for any unlawful purpose, or in violation of any and all applicable ordinances, laws, rules or regulations of any governmental body, or the Association, and will not do or permit any act which would constitute a public or private nuisance or waste or which would be a nuisance or annoyance or cause damage to Landlord or Landlord's other tenants which would invalidate any policies of insurance or increase the premiums thereof, now or hereafter written on the Building and/or the Property.

## ARTICLE VI

### ALTERATIONS, ADDITIONS, IMPROVEMENTS OR RELOCATION

**Section 6.1 Leasehold Improvements.**

The facilities, materials and work to be furnished, installed and performed in the Premises by Landlord, at its expense, are hereinafter referred to as "Landlord's Work". Landlord shall utilize Building standard materials. In all other respects Tenant accepts the premises in their "as is" condition. Such other facilities, materials and work which may be undertaken by or for the account and at the expense of Tenant to equip, decorate and furnish the Premises for Tenant's occupancy are hereinafter referred to as "Tenant's Work". Landlord's approval of the plans, specification and working drawings for Tenant's work shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. Recognizing that the building is large and the needs of the tenants as to space may vary from time to time, and in order for

the Landlord to accommodate Tenant and prospective tenants, Landlord expressly reserves the right, prior to and during the Term, at the Landlord's sole expense, to move Tenant from the Premises and relocate Tenant in other space of the Landlord's choosing of approximately the same dimensions and size within the Building. During a relocation period, Landlord will use reasonable efforts not to unduly interfere with the Tenant's business activities and to substantially complete the relocation within a reasonable time under all then-existing circumstances. Landlord's obligation for the expenses of relocation will be the actual cost of relocating Tenant and Tenant agrees that Landlord's exercise of its election to relocate Tenant will not release Tenant in whole or in part from its obligations hereunder for the full Term. No rights granted in this Lease to Tenant, including the right of quiet enjoyment will be deemed breached or interfered with by reason of Landlord's exercise of relocation right reserved herein.

**Section 6.2 Completion by Landlord.** The Premises shall be deemed ready for occupancy on the date Landlord's Work is substantially completed. The same shall be deemed substantially completed notwithstanding the fact that minor or insubstantial details of construction, mechanical adjustment or decoration remain to be performed, the non-completion of which does not materially interfere with Tenant's use of the Premises. Landlord shall give Tenant at least ten (10) days notice of the date on which Landlord estimates Landlord's Work will be substantially completed, and Tenant shall occupy the Premises promptly thereafter.

**Section 6.3 Delay by Tenant.** If substantial completion of Landlord's Work is delayed due to: (a) any act or omission of Tenant or any of its employees, agents or contractors (including, but limited to, (i) any delays due to changes in or additions to Landlord's Work, or (ii) any delays by Tenant in the submission of plans, drawings, specifications, or other information or in approving any working drawings or estimates, or in giving any authorization or approvals); or (b) any additional time needed for the completion of Landlord's Work by the inclusion in Landlord's Work of any special or unusual work, then the Premises shall be deemed ready for occupancy on the date it would have been ready, but for such delay, and Rent shall commence as of such earlier date. Any changes to floor plans after execution of the Lease shall be subject to Landlord's approval, and furthermore, Tenant shall pay for any extra costs that may be incurred by Landlord which are caused by changes so requested by Tenant.

**Section 6.4 Acceptance of Premises.** Tenant acknowledges that Landlord has not made any representations or warranties with respect to the condition of the Premises. The taking of possession of the Premises by Tenant shall be conclusive evidence that the Premises were in good and satisfactory condition at the time such possession was taken, except for the minor insubstantial details of which Tenant gives Landlord notice within 30 days after the Commencement Date. If Landlord shall give Tenant permission to enter into possession of the Premises prior to the Commencement Date, such possession or occupancy shall be deemed to be upon all terms, covenants, conditions, and provisions of this Lease, including the execution of an Estoppel certificate.

## ARTICLE VII

### LANDLORD AND TENANT OBLIGATIONS

#### **Section 7.1 Tenant's Repair and Maintenance.**

6

Tenant shall be responsible for all repairs, the need for which arises out of: (a) the performance or existence of Tenant's Work or alteration; (b) the installation, use or operation of Tenant's Property (defined below) in the Premises; (c) the moving of Tenant's Property in and out of the Building; or (d) the act, omission, misuse or neglect of Tenant or any of its subtenants, employees, agents, contractors or invitees, Tenant shall also be responsible for the replacement of all scratched, damaged or broken doors and glass in and about the Premises, the maintenance and replacement of wall and floor coverings in the Premises, and for the repair and maintenance of all sanitary and electrical fixtures therein. All such repairs shall be performed at such times and in such a manner as shall cause the least interference with Tenant's use of the Premises, the operation of the central systems of the Building and the use of the Building by other tenants.

**Section 7.2 Landlord's Obligations.** Landlord shall be obligated to keep and maintain the common areas of the Building, and the systems and facilities serving the Premises, in good working order and shall make all repairs as and when needed in or about the common areas and the Premises, except

for those repairs for which Tenant is responsible pursuant to any of the provisions of this Lease. Landlord shall be responsible for air conditioning, plumbing and electrical services in the Premises, as well as roof leaks, exterior maintenance and repair. Landlord shall not be liable for any damage to Tenant's Property caused by (a) water from bursting or leaking pipes, or waste water about the Property; (b) from an intentional or negligent act of any other tenant or occupant of the Building or the Property; (c) fire, hurricane or other acts of God; (d) riots or vandals; or (e) from any other cause not attributable to the negligent or wrongful act of Landlord, its agents or employees. Landlord shall not be required to furnish any services or facilities to, or to make any repairs to or replacements or alterations of, the Premises where necessitated due to the negligence of Tenant, its agents and employees, or other tenants, their agents or employees.

**Section 7.3 Floor Loads; Noise and Vibration** Tenant shall not place a load upon any floor of the Premises which exceeds the load per square foot, which such floor was designed to carry or which is allowed by law. Business machines and mechanical equipment belonging to Tenant which cause noise, electrical interference or vibration that may be transmitted to the structure of the Building or to the Premises to such a degree as to be objectionable to Landlord or other tenants in the Building, shall, at Tenant's expense, be placed and maintained by Tenant in settings of cork, rubber, or spring-type vibration eliminators sufficient to eliminate such noise, electrical interference or vibration.

**Section 7.4 Electricity**

(a) Landlord agrees to furnish to the Premises weekdays, exclusive of legal holidays, from 8:00 a.m. to 6:00 p.m., and Saturdays, from 8:00 a.m. to 12:00 p.m., heat and air conditioning required in Landlord's judgment for the comfortable use and occupation of the Premises and elevator service; water for lavatory and drinking at those points of supply provided for general use of tenants during the times and in the manner that such services are, in Landlord's judgment customarily furnished in comparable office buildings in the immediate market area. Landlord shall be under no obligation to provide additional or after-hours heating or air conditioning, but if Landlord elects to provide such services at Tenant's request, Tenant shall pay Landlord a charge of \$22.00 per hour for such services to be billed monthly to Tenant. Landlord in its discretion has the right to reasonably adjust the above referenced charge. Tenant agrees to keep closed all window coverings, if any, when necessary because of the sun's position, and Tenant also agrees at all times to cooperate fully with Landlord and to abide by all the regulations and requirements which Landlord may prescribe for the proper functioning and protection of said heating, ventilating, and air conditioning system and to comply with all laws, ordinances and regulations respecting the conservation of energy. In the event Tenant utilizes heat-generating machines, heat-generating equipment or excess lighting in the Premises and same affects the ability of the air conditioning system to effectively cool the premises as intended, Landlord reserves the right to install supplementary air conditioning units for the Premises, and the cost thereof, including the cost of electricity and/or water therefore and the cost of all repairs, maintenance and replacements thereto shall be paid by Tenant to Landlord upon demand.

7

(b) Tenant's use of electrical energy in the Premises shall not, at any time, exceed the capacity of any of the electrical conductors and equipment in or otherwise serving the Premises. In order to ensure that such capacity is not exceeded and to avert possible adverse effects upon the Building's electric service, Tenant shall not, without Landlord's prior written consent in each instance, connect major equipment to the Building, electric distribution system, telephone system or make any alteration or addition to the electric system of the Premises existing on the Commencement Date. Tenant's electrical usage under this Lease contemplates only the use of normal and customary office equipment. In the event Tenant installs any office equipment which uses substantial additional amounts of electricity, then Tenant agrees that Landlord's consent is required before the installation of such additional office equipment

**Section 7.5 Energy Conservation**. Tenant shall undertake to use its best efforts to ensure that it will utilize energy-efficient equipment in the Premises.

**Section 7.6 Janitorial Services** Landlord shall cause the Premises, including the exterior and interior of the windows thereof to be cleaned in a manner standard to the Building. Tenant shall pay to Landlord on demand, the cost incurred by Landlord for: (a) extra cleaning work in the Premises required because of (i) misuse or neglect on the part of Tenant or subtenants or its employees or visitors; (ii) the use of portions of the Premises for purposes requiring greater or more difficult cleaning work than normal

office areas; (iii) interior glass partitions or unusual quantity of interior glass surfaces, and (iv) non-building standard materials or finishes installed by Tenant or at its request; (b) removal from the Premises and the Building of any refuse and rubbish of Tenant in excess of that ordinarily accumulated in business office occupancy or at times other than Landlord's standard cleaning times; and (c) the use of the Premises by Tenant other than during business hours on business days.

## **ARTICLE VIII LANDLORD'S AND TENANT'S PROPERTY**

**Section 8.1 Landlord's Property.** All fixtures, equipment, improvements and appurtenances attached to or built into the Premises at the commencement of or during the Term of this Lease, whether or not by or at the expense of Tenant, shall be and remain a part of the Premises, and shall be deemed the property of Landlord ("Landlord's Property") and shall not be removed by Tenant except as otherwise specifically set forth herein. Further, any carpeting or other personal property in the Premises on the Commencement Date, shall not be removed by Tenant.

**Section 8.2 Tenant's Property.** moveable partitions, business and trade fixtures, machinery and equipment, communications equipment and office equipment, whether or not attached to or built into the Premises, which are installed in the Premises by or for the account of Tenant without expense to Landlord and which can be removed without structural damage to the Building, and all furniture, furnishings and other articles of moveable personal property owned by Tenant and located in the Premises (hereinafter collectively referred to as "Tenant's Property") shall be and shall remain the property of Tenant and may be removed by Tenant at any time during the Term of this Lease, provided Tenant is not in default hereunder. In the event Tenant's Property is so removed, Tenant shall repair or pay the cost of repairing any damage to the Premises or to the Building resulting from the installation and/or removal thereof and repair the Premises to the same physical condition and layout as they existed at the time Tenant was given possession of the Premises. Any equipment or other property for which Landlord shall have granted any allowance or credit to Tenant shall not be deemed to have been installed by or for the account of Tenant without expense to Landlord, shall not be considered Tenant's property and shall be deemed the property of Landlord.

8

**Section 8.3 Removal of Tenant's Property**At or before the expiration date of this Lease, or within five (5) days after any earlier termination hereof, Tenant, at its expense, shall remove from the Premises all of Tenant's Property (except such items thereof as Landlord shall have expressly permitted to remain, which property shall become the property of Landlord), and Tenant shall repair any damage to the Premises or the Building resulting from any installation and/or removal of Tenant's Property, and shall repair the Premises to the same physical condition and layout as they existed at the time tenant was given possession of the Premises, reasonable wear and tear excepted. Any other items of Tenant's Property which shall remain in the Premises after the expiration date of this Lease, or after a period of five (5) days following an earlier termination date, may, at the option of Landlord, be deemed to have been abandoned, and in such case, such items may be retained by Landlord. Landlord may request Tenant to remove and pay to Landlord the cost of repairing any damage to the Premises or the Building resulting from any installation and/or removal of Tenant's Property and the cost of repair the Premises to the same physical condition and layout as they existed at the time Tenant was given possession of the Premises, reasonable wear and tear excepted.

**Section 8.4 Landlord's Lien and Security Interest**As security for the performance of Tenant's obligations under this Lease, Tenant hereby grants to Landlord a security interest in and Landlord's lien upon all of Tenant's Property located in the Premises. Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact and empowers Landlord to execute on Tenant's behalf a UCC-1 Financing Statement, renewals and terminations thereof, for the purpose of perfecting Landlord's security interest.

## **ARTICLE IX INSURANCE**

### **Section 9.1 Tenant's Insurance.**

1. Tenant shall, during the term of this Lease, maintain insurance against public liability, including

that from personal injury or property damage in or about the Premises resulting from the occupation, use or operation of the Premises, insuring both Tenant and Landlord as an additional insured, in amount of not less than One Million (\$1,000,000) Dollars Combined Single Limit for both bodily injury and property damage.

2. Tenant shall maintain insurance upon all property in the Premises owned by Tenant, or for which Tenant is legally liable, and shall provide Landlord with evidence of same. The insurances specified herein shall provide protection against perils included within the standard Florida form of fire and extended coverage insurance policy, together with insurance against vandalism and malicious mischief.

3. All policies of insurance provided for in Section 9.1 shall be issued in a form acceptable to Landlord by insurance companies with general policyholder's rating of "A" as rated in the most current available "Best's Insurance Reports" and qualified to do business in Florida. Each and every such policy:

(a) shall be issued in the name of Tenant and shall include Landlord and any other parties in interest designated in writing by notice from landlord to Tenant as additional insured;

9

(b) shall be for the mutual and joint benefit and protection of Landlord and Tenant and any such other parties in interest as additional insured's;

(c) shall (or a certificate thereof shall) be delivered to Landlord and any such other parties in interest within ten (10) days before delivery of possession of the Premises to Tenant and thereafter, within thirty (30) days prior to the expiration of each policy, and as often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained in like manner and to like extent;

(d) shall contain a provision that the insurer will give to Landlord and such other parties in interest at least thirty (30) days notice in writing in advance of any cancellation, termination or lapse, or the effective date of any reduction in the amount of insurance;

(e) shall be written as a primary policy which does not contribute and is not in excess of coverage which Landlord may carry; and

(f) shall contain a provision that Landlord and any such other parties in interest, although named as an insured, shall nevertheless be entitled to recover under said policies for any loss occasioned to it, its servants, agents and employees by reason of negligence of Tenant.

4. Any insurance provided for in Section 9.1 may be maintained by means of a policy or policies of blanket insurance, provided however, that: (i) Landlord and any other parties in interest from time to time designated by Landlord to Tenant shall be named as an additional insured there under as their interests may appear; (ii) the coverage afforded Landlord and any such other parties in interest will not be reduced or diminished by reason of the use of such blanket policy of insurance; and (iii) the requirements set forth in this Article are otherwise satisfied.

5. These insurance requirements are subject to modification in the event any Superior Mortgagee (hereafter defined) of Landlord requires different insurance. In such event, the reasonable requirements of such Superior Mortgagee shall control.

**Section 9.2 Destruction of the Premises or Building** the Term hereof, the Premises and/or the Building are damaged by reason of fire or other casualty, Tenant shall give immediate notice thereof to Landlord. Subject to the prior rights of any Superior Mortgagee, Landlord shall restore the Premises and/or the Building to substantially the same condition they were in immediately before said destruction. If the restoration can be accomplished within 120 working days after the date Landlord receives notice of the destruction, such destruction shall not serve to terminate this Lease. If the restoration cannot be performed within the time stated in this section, then within ninety (90) days after the parties determine that the restoration cannot be completed within said time, either party may terminate this Lease upon thirty (30) days notice to the other party. If Tenant fails to terminate this Lease and restoration is permitted under existing laws, Landlord, at its election, may restore the Premises and/or the Building within a reasonable period of time, and this Lease shall continue in full force and effect. Landlord shall use diligent effort in restoring the Premises and/or Building. Rent shall be abated during the



period in which the Premises (or portion thereof on a prorated basis) are rendered untenable as a result of such damage, unless said damage was caused by the intentional wrongful act of Tenant or its employees, agents or invitees. Should Landlord elect to terminate this Lease, the entire amount of Landlord's insurance proceeds shall be and remain the outright property of Landlord, subject to the prior rights of any mortgagee and except any proceeds received for Tenant's Property that are covered under Tenant's insurance.

**Section 9.3 Landlord's Insurance.** Landlord represents and warrants that Landlord shall provide and maintain insurance against the property, including personal injury and property damage for the building, including hazard and windstorm.

10

## ARTICLE X

### ALTERATIONS AND MECHANIC'S LIENS

**Section 10.1 Alterations by Tenant.** No alterations shall be made by Tenant unless the following conditions are met:

- (a) Tenant shall have received the prior written consent of Landlord, which consent shall not be unreasonably withheld.
- (b) All such alterations or improvements shall be performed by Landlord at Tenant's expense, or by a contractor approved by Landlord. Landlord's approval of the plans, specifications and working drawings for Tenant's Work shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. Any work by Landlord shall be performed at a fee competitive with local contractors.
- (c) Tenant shall have procured all permits, licenses and other authorizations required for the lawful and proper undertaking thereof;
- (d) all alterations when completed shall be of such a nature as not to (i) reduce or otherwise adversely affect the value of the Premises; (ii) diminish the general utility or change the general character thereof; (iii) result in an increase of the Operating Expenses, or (iv) adversely affect the mechanical, electrical, plumbing, security or other such systems of the Building or the Premises;
- (e) all alterations made by Tenant shall remain on and be surrendered with the Premises on expiration or earlier termination of this Lease, except that Landlord can elect, within thirty (30) days before expiration or earlier termination of the Lease, to require Tenant to remove any and all alterations Tenant had made to the Premises;

**Section 10.2 Construction Liens.** Tenant agrees that it will make full and prompt payment of all sums necessary to pay for the cost of repairs, alterations, improvements, changes or other work done by Tenant to the Premises and further agrees to indemnify and hold harmless Landlord from and against any and all such costs and liabilities incurred by Tenant, and against any and all construction liens arising out of or from such work or the cost thereof which may be asserted, claimed or charged against the Premises or the Building or site on which it is located. Notwithstanding anything to the contrary in this Lease, the interest of Landlord in the Premises shall not be subject to liens for improvements made by or for the Tenant, whether or not the same shall be made or done in accordance with any agreement between Landlord and Tenant, and it is specifically understood and agreed that in no event shall Landlord or the interest of Landlord in the Premises be liable for or subjected to any construction liens for improvements or work made by or for Tenant; and this Lease specifically prohibits the subjecting of Landlord's interest in the Premises to any construction liens for improvements made by Tenant or for which Tenant is responsible for payment under the terms of this Lease. All persons dealing with Tenant are hereby placed upon notice of this provision. In the event any notice or claim of lien shall be asserted of record against the interest of Landlord in the Premises or Building or the site on which it is located on account of or growing out of any improvement or work done by or for Tenant, or any person claiming by, through or under Tenant, for improvements or work the cost of which is the responsibility of Tenant, Tenant agrees to have such notice of claim of lien canceled and discharged of record as a claim against the interest of Landlord in the Premises, the Building or the Property (either by payment or bond as permitted

by law) within ten (10) days after notice to Tenant by Landlord, and in the event Tenant shall fail to do so, Tenant shall be considered in default under this Lease.

## ARTICLE XI

### ASSIGNMENT AND SUBLETTING

#### **Section 11.1 Tenant's Transfer.**

(a) Tenant shall not voluntarily assign or encumber its interest in this Lease or in the Premises, or sublease all or any part of the Premises, or allow any other person or entity (except Tenant's authorized representatives) to occupy or use all or any part of the Premises, without first obtaining Landlord's written consent, which consent shall not be unreasonably withheld. Any assignment, encumbrance or sublease without the Landlord's written consent shall be void ab initio and at Landlord's election, shall constitute a default hereunder. No consent to any assignment, encumbrance, or sublease shall constitute a further waiver of the provisions of this Section.

(b) If Tenant is a partnership, a withdrawal or change, voluntary, involuntary, or by operation of law, of any partner/or partners owning 50% or more of the partnership, or the dissolution of the partnership, shall be deemed a voluntary assignment.

(c) If Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of Tenant, or the sale or transfer of a controlling percentage of the capital stock of Tenant, or the sale of 51% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding, and entitled to vote for the election of directors, shall be deemed a voluntary assignment.

(d) Landlord may consent to the sublease of all or any part of the Premises provided Tenant and the sub lessee enter into a sublease incorporating the same terms and conditions as contained herein (exclusive of rent), and Landlord shall be entitled to receive the total amount of any increased Rent, including sales tax, paid by a sub lessee or assignee.

(e) Any assignment agreed to by Landlord shall be evidenced by a validly executed Assignment and Assumption of Lease Agreement. Any attempted transfer, assignment, subletting, mortgaging or encumbering of this Lease in violation of this Section shall be void and confer no rights upon any third person. Such attempt shall constitute a material breach of this Lease and entitle Landlord to the remedies provided for default.

(f) If, without such prior written consent, this Lease is transferred or assigned by Tenant, or if the Premises, or any part thereof, are sublet or occupied by anybody other than the Tenant, whether as a result of any act or omission by Tenant, or by operation of law or otherwise, Landlord may, in addition to and not in diminution of, or substitution for, any other rights and remedies under this Lease, or pursuant to law to which Landlord may be entitled as a result thereof, collect Rent directly from the transferee, assignee, subtenant or occupant and apply the net amount collected to the Rent herein reserved.

**Section 11.2 Tenant's Liability.** Notwithstanding any assignment or sublease, and notwithstanding the acceptance of Rent by Landlord from any such assignee or sub lessee, Tenant shall continue to remain liable for the payment of Rent hereunder and for the performance of all agreements, conditions, covenants and terms herein contained,

**Section 11.3 Landlord's Right of Cancellation.** Notwithstanding anything contained herein to the contrary, should Tenant desire to assign the Lease or sublease the Premises, Landlord shall have the right, but not the obligation, to cancel or terminate the Lease and deal with Tenant's prospective assignee or sublessee directly and without any obligation to Tenant. In this event, Tenant's obligations to Landlord under this Lease shall terminate.

**Section 11.4 Landlord's Transfer.** Landlord shall have the right to sell, mortgage, or otherwise encumber or dispose of Landlord's interest in the Premises, the Building, the Property and this Lease.

**Section 11.5 Minimum Rental Requirement.** Notwithstanding anything to the contrary contained in this ARTICLE XI or in this Lease, Tenant may assign this Lease or sublet the Premises provided said rental rate is not less than that rental amount that is being paid for other space within the Building. Otherwise, Tenant shall not, under any circumstances, assign this Lease or sublet the Premises or any part thereof until at lease ninety (90%) percent of the rentable space in the Building has been leased by Landlord.

## ARTICLE XII

### OBLIGATIONS

**Section 12.1 Obligations of Tenant.** Tenant shall, during the Term of this Lease, at its sole cost and expense, comply with all valid laws, ordinances, regulations, orders and requirements of any governmental authority which may now or hereafter be applicable to the Premises or to its use, whether or not the same shall interfere with the use or occupancy of the Premises, arising from (a) Tenant's use of the Premises; (b) the manner or conduct of Tenant's business or operation of its installations, equipment or other property therein; (c) any cause or condition created by or at the instance of Tenant; or (d) breach of any of Tenant's obligations hereunder, whether or not such compliance requires work which is structural or non-structural, ordinary or extraordinary, foreseen or unforeseen; and Tenant shall pay all of the costs, expenses, fines, penalties and damages which may be imposed upon Landlord by reason or arising out of Tenant's failure to fully and promptly comply with and observe the provisions of this Section. Tenant shall give prompt notice to Landlord of any notice it received of the violation of any law or requirement of any public authority with respect to the Premises or the use or occupation thereof.

**Section 12.2 Rules and Regulations.** Tenant shall also comply with all rules and regulations now existing (See **Exhibit "C"**), or as may be subsequently applied by Landlord to all tenants of the Building. Landlord agrees to consistently apply the rules and regulations to all Tenants within the Building.

## ARTICLE XIII

### RIGHT OF LANDLORD TO PERFORM TENANT'S COVENANTS

**Section 13.1 Payment or Performance.** Landlord shall have the right, upon ten (10) days prior written notice to Tenant (or without notice in case of emergency or in order to avoid any fine, penalty, or cost which may otherwise be imposed or incurred), following the expiration of any applicable cure period, to make any payment or perform any act required of Tenant under any provision in this Lease, and in exercising such right, to incur necessary and incidental costs and expenses, including reasonable attorney's fees. Nothing herein shall imply any obligation on the part of Landlord to make any payment or perform any act required of Tenant, and the exercise of the right to do so shall not constitute a release of any obligation.

13

**Section 13.2 Reimbursement.** All payments made and all reasonable costs and expenses incurred in connection with Landlord's exercise of the right set forth in Section 13.1, shall be reimbursed by Tenant within ten (10) days after receipt of a bill setting forth the amounts so expended, together with interest at the annual rate of 18% from the respective dates of the making of such payments or the incurring of such costs and expenses. Any such payments, costs and expenses made or incurred by Landlord may be treated as Additional Rent owed by Tenant.

## ARTICLE XIV

## **NON-LIABILITY AND INDEMNIFICATION**

**Section 14.1 Non-Liability of Landlord.** Neither Landlord, nor any beneficiary, joint venture partner, agent, servant, or employee of Landlord, nor any Superior Mortgagee (as defined in Article XIX below), shall be liable to Tenant for any loss, injury, or damage to Tenant or to any other person, or to its property, unless caused by or resulting from the negligence or intentional wrongful act of Landlord, its agents, servants or employees, in the operation or maintenance of the Premises or the Building, subject to the doctrine of comparative negligence in the event of contributory negligence on the part of Tenant or any of its subtenants, licensees, employees, agents or contractors. Tenant recognizes that any Superior Mortgagee will not be liable to Tenant for injury, damage or loss caused by or resulting from the negligence of Landlord. Further, neither Landlord, or any Superior Mortgagee, nor any joint venture partner, director, officer, agent, servant or employee of Landlord shall be liable (a) for any such damage caused by other tenants or persons in, upon or about the Building, or caused by operations in construction of any private, public or quasi-public work; or (b) for incidental or consequential damages or lost profits arising out of any loss of use of the Premises, or any equipment or facilities therein, by Tenant or any person claiming through or under Tenant.

**Section 14.2 Indemnification by Tenant.** Tenant hereby agrees to indemnify Landlord and hold it harmless from and against all claims, actions, damages, liability, and expenses which may arise in connection with bodily, loss of life, and/or damage to property arising from or out of any occurrence in, upon, or at the Demised Premises, or the occupancy or use by Tenant of the Demised Premises or any part thereof, or occasioned totally or in part by any negligent act or omission of Tenant, its agents, contractors, employees, servants, or subtenants unless such damages due to the negligent act or omission of Landlord, its agents or employees. In case Landlord shall, without fault on its part, be made a party to any litigation commenced by or against Tenant in connection with the Demised Premises, Tenant hereby agrees to hold Landlord harmless and pay all costs, expenses, and reasonable attorney's fees and costs incurred by Landlord in connection with such litigation. Tenant also agrees to pay all costs, expenses, and reasonable attorney's fees which may be incurred by Landlord in enforcing the obligations of Tenant under this Lease. To the maximum effect permitted by law, Tenant agrees to use and occupy the Demised Premises at Tenant's own risk.

**Section 14.3 Independent Obligations; Force Majeure.** The obligations of Tenant hereunder shall not be affected, impaired or excused, nor shall Landlord have any liability whatsoever to Tenant, because (a) Landlord is unable to fulfill, or is delayed in fulfilling, any of its obligations under this Lease by reason of strike, other labor trouble, governmental pre-emption of priorities or other controls in connection with a national or other public emergency or shortages of fuel, supplies, labor or materials, acts of God or any other cause, whether similar or dissimilar, beyond Landlord's reasonable control; or (b) of any failure or defect in the supply, quantity or character of electricity or water furnished to the Premises, by reason of any requirement, act or omission of the public utility or others serving the Building with electric energy, steam, oil, gas or water, or for any other reason whether similar or dissimilar, beyond Landlord's reasonable control. Tenant shall not hold Landlord liable for any injury or damage to person or property caused by fire, theft, or resulting from the operation of elevators, heating or air conditioning or lighting apparatus, or from falling plaster, or from steam, gas, electricity, water, rain, or dampness, which may leak or flow from any part of the Building, or from the pipes, appliances or plumbing work of the same, unless same is the result of Landlord's gross negligence.

### **ARTICLE XV**

#### **DEFAULT**

**Section 15.1 Events of Default.** Tenant shall be in default under this Lease if any one or more of the following events shall occur:

- (a) Tenant shall fail to pay any installment of the Rent and/or any expenses called for hereunder as and when the same shall become due and payable, and such default shall continue for a period of ten (10) days after the same is due; or
- (b) Tenant shall default in the performance of or compliance with any of the other terms or provisions of this Lease, and such default shall continue for a period of thirty (30) days after the giving of written notice

thereof from Landlord to Tenant, or, in the case of any such default which cannot, with bona fide due diligence, be cured within said thirty (30) days, Tenant shall fail to proceed within said thirty (30) day period to cure such default and thereafter to prosecute the curing of same with all due diligence (it being intended that as to a default not susceptible of being cured with due diligence within such period of thirty (30) days, the time within which such default may be cured shall be extended for such period as may be necessary to permit the same to be cured with due diligence); or

(c) Tenant shall assign, transfer, mortgage or encumber this Lease or sublet the Premises in a manner not permitted by ARTICLE XI; or

(d) Tenant shall file a voluntary petition in bankruptcy or any Order for Relief be entered against it, or shall file any petition or answer seeking any arrangement, reorganization, composition, re-adjustment or similar relief under any present or future bankruptcy or other applicable law, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of Tenant of all or any substantial part of Tenant's properties; or

(e) If any creditor of Tenant shall file a petition in bankruptcy against Tenant or for reorganization of Tenant, under state or federal law, and if such petition is not discharged within ninety (90) days after the date on which it is filed; or

(f) Tenant shall vacate or abandon the Premises, then, and in any such event, or during the continuance thereof (subject to the time period described in subparagraph (e) above), Landlord may, at its option, by written notice to Tenant, designate a date not less than five (5) days from the giving of such notice on which this Lease shall end, and thereupon, on such date, this Lease and all rights of Tenant hereunder shall terminate.

**Section 15.2 Surrender of Premises.** Upon any such termination of this Lease, Tenant shall surrender the Premises to Landlord, and Landlord, at any time after such termination, may, without further notice, re-enter and repossess the Premises without being liable to any prosecution or damages therefore, and no person claiming through or under Tenant or by virtue of any statute or of any order of any court shall be entitled to possession of the Premises.

15

**Section 15.3 Reletting.** At any time or from time to time after any such termination of this Lease, Landlord may relet the Premises or any part thereof, in the name of Landlord or otherwise, for such term or terms and on such conditions as Landlord, in its sole discretion, may determine, and may collect and receive the rents therefore. Landlord shall in no way be responsible or liable for any failure to relet the Premises or any part thereof or for any failure to collect any rent due upon such reletting.

**Section 15.4 Survival of Obligations.** Termination, pursuant to this ARTICLE XV, shall relieve Tenant of its liability and obligations under this Lease, and such liability and obligations shall survive any such termination.

**Section 15.5 Holdover.** Should Tenant hold over and remain in possession of the Premises at the expiration of any Term hereby created, Tenant shall, by virtue of this Section, become a Tenant at sufferance and shall pay Landlord 200% of the Rent per month of the last monthly installment of Rent above provided to be paid. Said monthly tenancy shall be subject to all the conditions and covenants of this Lease as though the same had been a tenancy at sufferance instead of a tenancy as provided herein, and Tenant shall give to Landlord at least thirty (30) days prior written notice of any intention to vacate the Premises, and shall be entitled to ten business (10) days prior notice of any intention of Landlord to evict Tenant from the Premises in the event Landlord desires possession of the Premises; however, that said Tenant at sufferance shall not be entitled to ten business (10) days notice in the event the said Rent is not paid in advance without demand, the ten business (10) days written notice otherwise required being hereby expressly waived.

## ARTICLE XVI

### DAMAGES/REMEDIES

**Section 16.1 Damages.** In the event this Lease is terminated under the provisions or any provisions of law by reason of default hereunder on the part of Tenant, Tenant shall pay to Landlord, as damages, at the election of Landlord either:

(a) The present value of the entire amount of the Rent which would have become due and payable during the remainder of the Term of this Lease, in which event Tenant agrees to pay the same at once, together with all Rent theretofore due, at Landlord's address as provided herein; provided however, that such payment shall not constitute a penalty or forfeiture or liquidated damages, but shall merely constitute payment in advance of the Rent for the remainder of said Term. Such present value shall be determined utilizing a discount rate of six (6%). The acceptance of such payment by Landlord shall not constitute a waiver of any failure of Tenant thereafter occurring to comply with any term, provision, condition or covenant of this Lease. IF Landlord elects the remedy given in this Section 16.1 (a), then same shall be Landlord's sole remedy for such default; or

(b) Sums equal to the Rent which would have been payable by Tenant had this Lease not been so terminated, payable upon the due dates therefore following such termination through the expiration of this Lease.

If Landlord at its option shall relet the Premises during said period, Landlord shall credit Tenant with the net rents received by Landlord from such reletting, such net rents to be determined by first deducting from the gross rents, as and when received by Landlord, the expenses incurred or paid by Landlord in terminating this Lease and in securing possession thereof, as well as the expenses of reletting, including, without limitation, the alteration and preparation of the Premises for new tenants, brokers' commissions, reasonable attorneys' fees and all other expenses properly chargeable against the Premises and the rental therefrom. It is hereby understood that any such reletting may be for a period shorter or longer than the remaining Term of this Lease but in no event shall Tenant be entitled to receive any excess of such net rents over the sum payable by Tenant to Landlord hereunder, nor shall Tenant be entitled in any suit for the collection of damages pursuant hereto to a credit in respect of any net rents from a reletting, except to the extent that such rents are actually received by Landlord.

**Section 16.2 Remedies.** Lawsuits for the recovery of such damages, or any installments thereof, may be brought by Landlord from time to time at its election, and nothing contained herein shall be deemed to require Landlord to postpone suit until the date when the Term of this Lease would have expired, nor limit or preclude recovery by Landlord against Tenant of any sums or damages which, in addition to the damages particularly provided above, Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant. All remedies of Landlord provided for herein, or otherwise at law or in equity, shall be cumulative and concurrent.

## ARTICLE XVII

### EMINENT DOMAIN

**Section 17.1 Taking.** If the whole of the building or the Premises, or, if more than 20% of the Building or the Property, shall be taken by condemnation or in any other manner for any public or quasi-public use or purpose, which materially affects Tenant's use and occupancy of the Premises, this Lease shall terminate as of the date of vesting of title as a result of such taking, and the Base Rent and Additional Rent shall be prorated and adjusted as of such date.

**Section 17.2 Award.** Landlord shall be entitled to receive the entire award or payment in connection with any taking without deduction there from, except to the extent that Tenant shall be entitled to compensation based upon damages sustained to Tenant's Property. Tenant shall not be precluded from taking its own action against the condemning authority.

**Section 17.3 Temporary Taking.** If the temporary use or occupancy of all or any part of the Premises shall be taken by condemnation or in any other manner for any public or quasi-public use or purpose during the Term of this Lease, Tenant shall be entitled, except as hereinafter set forth, to receive that portion of the award or payment for such taking which represents compensation for the use and occupancy of the Premises, for the taking of Tenant's Property and for moving expenses, and Landlord shall be entitled to receive that portion which represents reimbursement for the cost of restoration of the Premises. This Lease shall be and remain unaffected by such taking and Tenant shall continue to pay the Rent in full when due. If the period of temporary use or occupancy shall extend beyond the expiration date of this Lease, that part of the award which represents compensation for the use and occupancy of the Premises (or a part thereof) shall be divided between Landlord and Tenant so that Tenant shall receive so much thereof as represents the period up to and including such expiration date and Landlord shall receive so much as represents the period after such expiration date. All monies received by Landlord as, or as part of, an award for temporary use and occupancy for a period beyond the date through which the Rent has been paid by Tenant, shall be held and applied by Landlord as a credit against the Rent becoming due hereunder.

**Section 17.4 Partial Taking.** In the event of any taking of less than the whole of the Premises, the Building and/or the Property, which does not result in termination of this Lease: (a) subject to the prior rights of a Superior Mortgagee, Landlord, at its expense, shall proceed with reasonable diligence to repair the remaining parts of the Building and the Premises (other than those parts of the Premises

which are Tenant's Property) to substantially their former condition to the extent that the same is feasible (subject to reasonable changes which Landlord shall deem desirable), so as to constitute a complete and tenantable Building and Premises; and (b) Tenant, at its expense, shall proceed with reasonable diligence to repair the remaining parts of the Premises which are deemed Tenant's property pursuant hereto, to substantially their former condition to the extent feasible, subject to reasonable changes which Tenant shall deem desirable. Such work by Tenant shall be deemed alterations as described in Section 11.1 hereinabove. In the event of any partial taking, Tenant shall be entitled to a reduction in Rent for the remainder of the Lease Term following such partial taking based upon the percentage of space taken relative to the original Premises leased.

## ARTICLE XVIII

### QUIET ENJOYMENT

**Section 18.1 Quiet Enjoyment.** Landlord agrees that Tenant, upon paying all Rent and other charges herein provided for and observing and keeping the covenants, agreements, terms and conditions of this Lease and the rules and regulations of Landlord affecting the Premises on its part to be performed, shall lawfully and quietly hold, occupy and enjoy the Premises during the Term of this Lease.

## ARTICLE XIX

### SUBORDINATION AND ATTORNMENT

**Section 19.1 Subordination.** This Lease, and all rights of Tenant hereunder, are and shall be subordinate to any mortgage or other encumbrance, whether now of record or recorded after the date of this Lease, affecting the Premises, the Building or the Property. Notwithstanding that such subordination is self-operative without any further act of Tenant, Tenant shall, from time to time, within ten (10) days of request from Landlord, execute and deliver any reasonable documents or instruments that may be required by a Superior Mortgagee to confirm such subordination. Tenant's obligation to subordinate this Lease to any mortgage or other interest shall be conditioned upon Tenant's receipt from such party requesting subordination a Non-Disturbance agreement substantially to the effect that no steps or proceedings taken by reason of Landlord's default under such mortgage or encumbrance shall terminate this Lease nor shall Tenant be named a Defendant in any proceeding for foreclosure of such mortgage or be disturbed by virtue of such steps or proceedings as long as there shall be no default by Tenant under the provisions of the Lease. Any mortgage to which this Lease is subject and subordinate is hereinafter referred to as a "Superior Mortgage", and the holder of a Superior Mortgage is hereinafter referred to as a "Superior Mortgagee".

**Section 19.2 Notice to Landlord and Superior Mortgagee.** If any act or omission of Landlord would give Tenant the right, immediately or after the lapse of a period of time, to cancel this Lease or to claim a partial or total eviction, Tenant shall not exercise such right (a) until it has given written notice of such act or omission to Landlord and any Superior Mortgagee whose name and address shall previously have been furnished to Tenant; and (b) until a reasonable period of time for remedying such act or omission shall have elapsed following the giving of such notice and following the time when such Superior Mortgagee shall have become entitled under such Superior Mortgage to remedy the same.

**Section 19.3 Attornment.** any Superior Mortgagee shall succeed to the rights of Landlord hereunder, whether through possession or foreclosure action or delivery of a new lease or deed, then, at the request of such Superior Mortgagee, Tenant shall attorn to and recognize such Superior Mortgagee as Tenant's Landlord under this Lease, and shall promptly execute and deliver any instrument such Superior Mortgagee may reasonable request to evidence such attornment. Upon such attornment, this Lease shall continue in full force and effect as a direct Lease between such Superior Mortgagee and Tenant, upon all terms, conditions, and covenants as set forth in this Lease, except that the Superior Mortgagee shall not: (a) be liable for any previous act or omission of Landlord under this Lease; (b) be subject to any offset, not expressly provided for in this Lease; or (c) be bound by any previous modification of this Lease or by any previous prepayment, unless such modification or prepayment shall have been previously approved in writing by such Superior Mortgagee. Further, upon such attornment, Landlord shall be released from any



further obligations hereunder.

## ARTICLE XX

### LANDLORD'S RIGHT OF ACCESS

**Section 20.1 Access for Maintenance and Repair.** Except for the space within the inside surfaces of all walls, hung ceilings, floors, windows, and doors bounding the Premises, all of the Building including, without limitation, exterior walls, core interior walls and doors and any core corridor entrance, any terraces or roofs adjacent to the Premises, and any space in or adjacent to the Premises used for shafts, stacks, pipes, conduits, fan rooms, ducts, electric or other utilities, sinks, or other facilities of the Building, and the use thereof, as well as access thereto throughout the Premises for the purposes of operation, maintenance, decoration and repair, are reserved to Landlord. Landlord reserves the right, and Tenant shall permit Landlord, to install, erect, use and maintain pipes ducts and conduits in and through the Premises. Landlord shall be allowed to take all materials into and upon the Premises that may be required in connection therewith, without any liability to Tenant and without any reduction of Tenant's covenants and obligations hereunder. Landlord and its agents shall have the right to enter upon the Premises upon reasonable notice to Tenant and during normal business hours except in emergencies when no notice is required, for the purpose of making any repairs therein or thereto which shall be considered necessary or desirable by Landlord, in such a manner as not to unreasonably interfere with Tenant in the conduct of Tenant's business on the Premises; and in addition, Landlord and its agents shall have the right to enter the premises at any time in cases of emergency.

**Section 20.2 Access for Inspection and Showing.** Upon reasonable notice to Tenant and during normal business hours, Landlord and its agents shall have the right to enter and/or pass through the Premises to examine the Premises and to show them to actual and prospective purchasers, mortgagees or lessors of the Building. During the period of six (6) months prior to the expiration date of this Lease, Landlord and its agents may exhibit the Premises to prospective tenants.

**Section 20.3 Landlord's Alterations and Improvements.** At any time, any windows of the Premises are temporarily darkened or obstructed by reason of any repairs, improvements, maintenance and/or cleaning in or about the Building, or if any part of the Building, other than the Premises, is temporarily or permanently closed or inoperable, the same shall be without liability to Landlord and without any reduction or diminution of Tenant's obligations under this Lease. Landlord reserves the right to make such changes, alterations, additions, and improvements in or to the Building and the fixtures and equipment thereof, as well as in or to the street entrances, doors, halls, passages, elevators, escalators and stairways thereof, and other public portions of the Building, as Landlord shall deem necessary or desirable, and no such alterations or changes shall be deemed a breach of Landlord's covenant of quiet enjoyment or a constructive eviction.

## ARTICLE XXI

### SIGNS AND OBSTRUCTION

**Section 21.1 Signs.** Landlord shall supply Tenant with building standard signage. Tenant shall not place or suffer to be placed or maintained upon any exterior, door, roof, wall or window of the Premises or the Building, any sign, awning, canopy or advertising matter of any kind, and will not place or maintain any decoration, lettering or advertising matter on the glass of any window or door of the Premises except as approved by Landlord, and will not place or maintain any freestanding standard within or upon the Common Area of the Building or immediately adjacent thereto, without first obtaining Landlord's express prior written consent. No exterior or interior sign visible from the exterior of the Building shall be permitted. Tenant further agrees to maintain any such signage approved by Landlord in good condition and repair at all times and to remove the same at the end of the Term of this Lease if requested by Landlord. Upon removal thereof, Tenant agrees to repair any damage to the Premises caused by such installation and/or removal.

**Section 21.2 Obstruction.** Tenant shall not obstruct the sidewalks, parking lots or other public

portions of the Building or the Property in any manner whatsoever.

## ARTICLE XXII

### NOTICES

**Section 22.1 Notices** Any notice or other information required or authorized by this Lease to be given by either party to the other may be given by hand or sent (by first class pre-paid mail, telex, cable, facsimile transmission or comparable means of communication) to the other party at the address stated below. Any notice or other information given by mail pursuant to this Section which is not returned to the sender as undelivered shall be deemed to have been given on the fifth (5th) day after the envelope containing any such notice or information was properly addressed, pre-paid, registered and mailed. The fact that the envelope has not been so returned to the sender shall be sufficient evidence that such notice or information has been duly given. Any notice or other information sent by telex, cable, facsimile transmission or comparable means of communication shall be deemed to have been duly sent on the date of transmission, provided that a confirming copy thereof is sent by first class pre-paid mail to the other party, at the address stated below, within twenty-four (24) hours after transmission.

AS TO LANDLORD:

BGNP Associates, LLC  
8000 N Federal Highway  
Suite 200

Boca Raton, FL 33487

AS TO TENANT:

Cleartronic, Inc.  
8000 N Federal Highway  
Suite 100  
Boca Raton, FL 33487

The above address may be changed at any time by giving thirty (30) days written notice as above provided. In addition to the foregoing, any notices of a legal nature shall be copied to:

BGNP Associates, LLC  
8000 N Federal Highway  
Suite 200  
Boca Raton, FL 33487

### ARTICLE XXIII

#### MISCELLANEOUS

**Section 23.1 ADA Compliance.** To the best of Landlord's knowledge, the Premises are ADA compliant.

**Section 23.2 Environmental Indemnity.** Tenant agrees to indemnify and hold Landlord harmless from and against any and all loss, claim, liability, damages, injuries to person, property, or natural resources, cost, expense, action or cause of action, arising in connection with the release or presence of any "Hazardous Substances" at the Premises, through the acts of Tenant, its employees, agents or invitees acting with Tenant's authority, whether foreseeable or unforeseeable, during the term and occupancy of the premises by Tenant. The foregoing indemnity includes, without limitation, all costs in law or in equity of removal, remediation of any kind, and disposal of such Hazardous Substances, all costs of determining whether the Premises is in compliance and to cause the Premises to be in compliance with all with all applicable environmental laws, all costs associated with claims for damages to persons, property, or natural resources, and Landlord's reasonable attorneys' and consultants' fees and court costs. For the purposes of definition, Hazardous Substances means any toxic or hazardous wastes, pollutants or substances, including, without limitation, asbestos, PBCs, petroleum products and by-products, substances defined or listed as "hazardous substances" or "toxic substances" or similarly identified in or pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9061 *et. seq.*, hazardous materials identified in or pursuant to the Hazardous Materials Transportation Act 49 U.S.C. Section 1802 *et. seq.*

**Section 23.3 Radon Gas.** Pursuant to Florida Statutes, Section 404.056 [8], the following disclosure is required by law: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

21

**Section 23.4 Broker Commission.** Intentionally left blank.

**Section 23.5 Financial Statements.** Throughout the term of this Lease, Tenant shall provide Landlord, at the request of Landlord, its most current and complete financial statement including, but not limited to, its balance sheet and profit and loss statement.

**Section 23.6 Estoppel Certificates.** Each party agrees, at any time and from time to time as

requested by the other party, to execute and deliver to the other a statement certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), certifying the dates to which the Base Rent have been paid, stating whether or not the other party is in default in performance of any of its obligations under this Lease, and, if so, specifying each such default, and stating whether or not any event has occurred which, with the giving of notice or passage of time, or both, would constitute such a default, and, if so, specifying each such event. Each party shall also include in any such statements such other information concerning this Lease as the other party may reasonably request. In the event either party fails to comply with this Section, such failure shall constitute a material breach of the Lease. If Tenant fails to execute the initial Estoppel Certificate, Rent shall continue to accrue, but Landlord shall be under no obligation to deliver possession of the Premises.

**Section 23.7 Approval by Superior Mortgagee.** Required by a Superior Mortgagee, this Lease shall become binding upon Landlord's execution and approval of Lease by Landlord's Superior Mortgagee for the building.

**Section 23.8 No Recordation.** This Lease shall not be recorded by Tenant in the Public Records of Palm Beach County, Florida, or in any other place. Any attempted recordation by Tenant shall render this Lease null and void and entitles Landlord to the remedies provided for Tenant's default. However, at the request of Landlord, Tenant shall promptly execute, acknowledge and deliver to Landlord a Memorandum of Lease with respect to this Lease, and a Memorandum of Modification of Lease with respect to any modification of this Lease, sufficient for recording. Such Memorandum shall not be deemed to change or otherwise affect any of the obligations or provisions of this Lease.

**Section 23.9 Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of Florida. If any provision of this Lease or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Lease shall remain in full force and effect. The table of contents, captions, headings and titles in this Lease are solely for convenience of reference and shall not affect its interpretation. This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Lease to be drafted. Each covenant, agreement, obligation, or other provision of this Lease on Tenant's part to be performed, shall be deemed and construed as a separate and independent covenant of Tenant, not dependent on any other provision of this Lease. All terms and words used in this Lease, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender, as the context may require.

**Section 23.10 Relationship of Parties.** Nothing contained in this Lease will be deemed or construed to create a partnership or joint venture between Landlord and Tenant, or to create any other relationship between the parties other than that of Landlord and Tenant.

**Section 23.11 Capacity to Execute Lease.** If Tenant is other than a natural person, Tenant represents that it is legally constituted, in good standing and authorized to conduct business in the State of Florida. Tenant further represents that the person who is executing this Lease on its behalf has the full power and authority to perform such execution and deliver the Lease to Landlord, and that upon such execution and delivery, the Lease shall be valid and binding upon Tenant in accordance with its respective terms and conditions. To further evidence the foregoing, upon request by Landlord, Tenant shall deliver to Landlord an appropriate corporate or partnership resolution specifying that the signatory to the Lease has been duly authorized to execute same on behalf of Tenant.

**Section 23.12 Exculpation of Landlord.** Landlord's obligations and liability to Tenant with respect to this Lease shall be limited solely to Landlord's interest in the Property or the proceeds of any insurance policies maintained or required to be maintained by Landlord hereunder, and neither Landlord nor any of the partners of Landlord, nor any officer, director, or shareholder of Landlord, shall have any personal liability whatsoever with respect to this Lease.

**Section 23.13 Waiver of Trial by Jury.** It is mutually agreed by and between Landlord and Tenant that the respective parties hereto shall, and they hereby do, waive trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matter arising out of or in any way connected with this Lease, the relationship of

**Landlord and Tenant or Tenant's use or occupancy of the Premises.**

**Section 23.14 Attorney's Fees.** In the event of any litigation in enforcing any of the terms, covenants or conditions of this Lease, or any of its rights and remedies under Chapter 83, Florida Statutes, as may hereinafter be amended, the prevailing party shall be entitled to the recovery of its reasonable attorneys' fees and court costs incurred.

**Section 23.15 Compliance with Laws.** Tenant, at Tenant's expense shall comply with all laws, rules, orders, ordinances, directions, regulations, and requirements of federal, state, county and municipal authorities, now in force or which may hereafter be in force, which shall impose any duty upon Landlord or Tenant with respect to the use, occupation or alteration of the Premises.

**Section 23.16 Entire Agreement.** This Lease constitutes the entire understanding between the parties and shall bind the parties hereto, their successors and assigns. No representation, except as herein expressly set forth, have been made by either party to the other, and this Lease cannot be amended or modified except by a writing signed by Landlord and Tenant.

**IN WITNESS WHEREOF**, the parties have executed this Lease as of the day and year first above written.

WITNESSES:  
(2 witnesses required)

/s/ Steven Holtz  
Steven Holtz

Printed Name  
12/7/10

**"TENANT"**  
(Insert Tenant Name)

/s/ Larry M. Reid  
Larry M. Reid, President

12/7/10  
Date  
\_\_\_\_\_

Date

/s/ James Concannon

James Concannon  
Printed Name

12/7/10  
Date

WITNESSES:  
(2 witnesses required)

**"LANDLORD"**  
BGNP Associates, LLC

/s/ Jamie Dempsey  
Jamie Dempsey  
Printed Name

/s/ Eric P. Platero, Managing Member

12/7/10  
Date

12/7/10  
Date

/s/ Patricia McDonnell

Patricia McDonnell  
Printed Name

12/7/10  
Date

ADDENDUM B

TENANT ESTOPPEL STATEMENT

LEASE DATED:

AMENDED:

LANDLORD:

TENANT:

PREMISES:

As Tenant under the above referenced Lease, the undersigned certifies for the benefit of Landlord, which has made or is about to make a loan to an assignment of Landlord's interest in the Lease, the following:

1. The Lease has not been modified or amended, except by documents dated \_\_\_\_\_ copies of which are attached hereto.
2. The Lease (as so modified or amended) is in full force and effect and represents the entire agreement between Landlord and Tenant.
3. Tenant has no offsets or defenses to its performance of the terms and provisions of the Lease, including the payment of rent and Landlord is not in default under any of the terms, covenants or provisions of the Lease.
4. Tenant is in possession of the Premises and has accepted the Premises, including all alterations, additions and improvements required to be made by Landlord. The premises contain \_\_\_\_\_ square feet.

5. The Rent Commencement Date is \_\_\_\_\_, 20 \_\_, and the Term is \_\_\_\_\_ months ending on \_\_\_\_\_, 20 \_\_, The Lease provides for the following renewal option(s) \_\_\_\_\_ at a rental rate of \_\_\_\_\_.
6. Tenant acknowledges that the Premises have been delivered to Tenant in good order and condition.
7. The Lease provides for rent payable as follows:
  - (a) *Base Rent*. Base Rent payable monthly of \$ \_\_\_\_\_.
  - (b) *Operating Costs*. The Lease provides for Tenant to pay its proportionate share of Operating Costs.
  - (c) Tenant has commenced paying rent. No rent has been paid in advance except for the Base Rent that became due for the current month.
8. Landlord is holding a security deposit of \$ \_\_\_\_\_.
9. The Lease contains no first right of refusal, option to expand, option to terminate, or exclusive business rights, except as follows: \_\_\_\_\_
10. Tenant has not entered into any sublease, assignment or any other agreement transferring any of its interest in the Lease and that it has not received any notice of a prior assignment, hypothecation or pledge of rents by Landlord.
11. Tenant has delivered to Landlord all evidence of insurance which Tenant is required to provide under the Lease.

TENANT: Cleartronic, Inc.

BY: /s/ Larry M. Reid

ITS: President

DATE: 12/7/10

## ADDENDUM C

### RULES AND REGULATIONS

1. The sidewalks, halls, passages, exits, entrances, elevators, escalators and stairways shall not be obstructed by Tenant or used for any purpose other than the ingress and egress from its Premises. The halls, passages, exits, entrances, elevators and stairways are not for the use of the general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom Tenant normally deals in the ordinary course of Tenant's business unless such persons are engaged in illegal activities. Tenant shall not go upon the roof of the Building.
2. The bulletin board or directory of the Building will be provided exclusively for the display of the name and location of tenants and Landlord reserves the right to exclude any other names therefrom.
3. No curtains, draperies, blinds, shutters, shades, screens or other coverings, awnings, hangings or decorations shall be attached to, hung or placed in, or used in conjunction with, any window or door on the Premises without the prior written consent of Landlord. In any event, all such items shall be installed inboard of Landlord's standard window covering and shall in no way be visible from the exterior of the Building. No articles shall be placed on the window sills so as to be visible from the exterior of the Building. No articles shall be placed against glass partitions or doors which might appear unsightly from outside Tenant's Premises.
4. Landlord reserves the right to exclude from the Building between the hours of 6:00 p.m. and 8:00 a.m. weekdays, and at all hours on Saturdays, Sundays, and holidays all persons who are not tenants or their accompanied guests. Tenant shall be responsible for all persons it allows to enter the Building and shall be liable to Landlord for all acts of such persons.

Landlord shall in no case be liable for damages for error with regard to the admission or exclusion of any person from the Building.

During the continuance of any invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Building by closing the doors, or otherwise, for the safety of tenants and protection of the Building and property in the Building.

5. Tenant shall not employ any person or persons other than Landlord's janitor for the purpose of cleaning its Premises. Except with the written consent of Landlord no persons other than those approved by Landlord shall be permitted to enter the building for the purpose of cleaning same. Tenant shall not cause any unnecessary labor by reason of its carelessness or indifference in the preservation of good order and cleanliness. Landlord shall in no way be responsible to Tenant for any loss of property on its Premises however occurring, or for any damage done to the effects of Tenant by the janitor or any other employee or any other person.
6. Tenant shall not use upon its Premises vending machines or accept barbering or bootblackening services in its Premises except from persons authorized by Landlord.
7. Tenant shall see that all doors to its Premises are securely locked and that all utilities, water faucets or water apparatus are shut off before Tenant leaves the Premises, so as to prevent waste or damage, and shall be responsible for all injuries sustained by other tenants or occupants of the Building or Landlord as a result of its failure to do so. Tenants shall keep the door or doors to the Building corridors closed at all times except for ingress and egress.
8. Tenant shall not waste electricity, water or air conditioning and agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air conditioning, and shall refrain from attempting to adjust any controls.
9. Tenant shall not alter any lock or access device or install a new or additional lock or access device or any bolt on any door in its Premises without prior written consent of Landlord. If Landlord shall give its consent, Tenant shall in each case furnish Landlord with a key for any such lock.
10. Tenant shall not make or have made additional copies of any keys or access devices provided by Landlord. Tenant, upon the termination of the tenancy, shall deliver to Landlord all the keys or access devices for the Building, offices, rooms and toilet rooms which shall have been furnished Tenant or which Tenant shall have had made. In the event of the loss of any keys or access devices so furnished by Landlord, Tenant shall pay Landlord therefore.
11. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever, including, but not limited to, coffee grounds shall be thrown therein, and the expense of any



breakage, stoppage, or damage resulting from the violation of this rule shall be borne by the tenant, who, or whose employees or invitees, shall have caused it.

12. Tenant shall not keep in the Building any kerosene, gasoline or inflammable or combustible fluid or materials other than limited quantities necessary for the operation or maintenance of office equipment. Tenant shall not use any method of heating or air conditioning other than that supplied by Landlord.
13. Tenant shall not permit to be kept in its Premises any foul or noxious gas or substance or permit its Premises to be used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors and/or vibrations or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought or kept in or about the Building.
14. No cooking shall be done in the Premises (except that use by the Tenant of Underwriter's Laboratory approved equipment for the preparation of coffee, tea, hot chocolate and similar beverages for Tenant and its employees shall be permitted, provided that such equipment and use is in accordance with applicable federal, state and city laws, codes, ordinances, rules and regulations) nor shall the Premises be used for lodging.
15. Tenant shall not sell or permit the sale, at retail, of newspapers, magazines, periodicals, theater tickets or any other goods on the Premises, nor shall Tenant carry on, or permit the business of stenography, typewriting or any similar business in or from the Premises for the service or accommodation of occupants of any other portion of the Building, nor shall the Premises be used for the storage of merchandise, manufacturing of any kind, the business of a public barber shop, or beauty parlor, or for any business activity other than that specifically provided for in Tenant's lease.
16. Landlord will direct electricians as to where and how telephone, telegraph and electrical wires are to be introduced or installed. No boring or cutting for wires will be allowed without the prior written consent of Landlord. The location of burglar alarms, telephones, call boxes or other office equipment affixed to the Premises shall be subject to the written approval of Landlord.
17. Tenant shall not install any radio or television antenna, loudspeaker or any other device on the exterior walls or the roof of the Building. Tenant shall not interfere with radio or television broadcasting or reception from or in the Building.
18. Tenant shall not lay linoleum, tile, carpet or any other floor covering so that the same shall be affixed to the floor of its Premises in any manner except as approved in writing by Landlord. The expense of repairing any damage resulting from a violation of this rule of the removal of any floor covering shall be borne by Tenant.
19. No furniture, freight, equipment, materials, supplies, packages, merchandise or other property will be received in the Building or carried up or down elevators except between such hours and in such elevators as shall be designed by Landlord. Landlord shall have the right to prescribe the weight, size and position of all safes, furniture, files, bookcases or other heavy equipment brought into the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on wood strips of such thickness as determined by Landlord to be necessary to properly distribute the weight thereof. Landlord will not be responsible for loss of or damage to any such safe, equipment or property from any cause, and all damage done to the Building by moving or maintaining any such safe, equipment or other property shall be repaired at the expense of Tenant.  
  
Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein to such a degree as to be objectionable to Landlord or any tenants in the Building shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. The persons employed to move such equipment in or out of the Building must be acceptable by Landlord.
20. Tenant shall not place a load upon any floor which exceeds the load per square foot which such floor was designed to carry and which is allowed by law. Tenant shall not mark, or drive nails, screws or drill into, the partitions, woodwork or plaster or in any way deface the Premises.
21. There shall not be used in any space, or in the public areas of the Building, either by Tenant or others, any hand trucks except those equipped with rubber tires and side guards or such other material-handling equipment as Landlord may approve. No other vehicles of any kind shall be brought by Tenant into or kept in or about the Premises.
22. Tenant shall store all its trash and garbage within the interior of its Premises. No materials shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage

in this area without violation of any law or ordinance governing such disposal shall be made only through entryways and elevators provided for such purposes and at such times as Landlord may designate.

23. Canvassing, soliciting or distributing of handbills or any other written material, and peddling in the Building are prohibited and Tenant shall cooperate to prevent the same. Tenant shall not make room-to-room solicitation of business from other tenants in the Building.

27

24. Landlord reserves the right to exclude or expel from the Building any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the rules and regulations at the Building.
25. Without the prior written consent of Landlord, Tenant shall not use the name of the Building in connection with the business of Tenant except as Tenant's address.
26. Tenant shall comply with all energy conservation, safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency.
27. Tenant assumes any and all responsibility for protecting its Premises from theft, robbery and pilferage.
28. The requirements of Tenant will be attended to only upon application at the office of the Building by an authorized individual. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless given special instructions from Landlord, and no such employees will admit any person (Tenant or otherwise) to any office without specific instructions from Landlord.
29. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular Tenant, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other Tenant, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all tenants of the Building.
30. Landlord reserves the right to make such other reasonable rules and regulation as in its judgment may from time to time be needed for safety and security, for care and cleanliness of the Building and for the preservation of good order therein. Tenant agrees to abide by all such Rules and Regulations hereinabove stated and any additional rules and regulations which are adopted.
31. All wallpaper or vinyl fabric materials which Tenant may install on painted walls shall be applied with a strippable adhesive. The use of nonstrippable adhesives will cause damage to the walls when materials are removed, and repairs made necessary thereby shall be made by Landlord at Tenant's expense.
32. Tenant shall provide and maintain hard surface protective mats under all desk chairs which are equipped with coasters to avoid excessive wear and tear to carpeting. If Tenant fails to provide such mats, the cost of carpet repair or replacement made necessary by such excessive wear and tear shall be charged to and paid by Tenant.
33. Tenant will refer all contractors, contractors' representatives and installation technicians rendering any service to Tenant to Landlord for Landlord's supervision, approval, and control before performance of any contractual service. This provision shall apply to all work performed in the Building, including installations of telephones, telegraph equipment, electrical devices and attachments and installations of any nature affecting floors, walls, woodwork, trim, windows ceilings, equipment or any other physical portion of the Building.
34. Tenant shall give prompt notice to Landlord of any accidents to or defects in plumbing, electrical fixtures, or heating apparatus so that such accidents or defects may be attended to properly.
35. Tenant shall be responsible for the observance of all of the forgoing Rules and Regulations by Tenant's employees, agents, clients, invitees and guests.
36. Tenant shall not allow its employees or invitees to park in other than designated areas, nor shall any washing of cars or car repairs be permitted in any parking areas, nor shall overnight parking be permitted, nor shall commercial trucks be allowed in the parking areas other than in designated delivery areas.
37. Other than for single-trip usages, Tenant shall make reservations for use of any elevators, which shall be accepted by Landlord on a first-come, first-serve basis.
38. Tenant's agree to refrain from bringing live animals into the office building, to include dogs, cats, birds, and other exotic pets.

39. These rules and Regulations are in addition to, and shall not be construed to in any way modify, alter or amend, in whole or in part, the terms covenants, agreements and conditions of any lease of premises in the Building.

TENANT: Cleartronic, Inc.

BY: /s/ Larry M. Reid

ITS: President

DATE: 12/7/10

## Exhibit 10.6

### Amendment to Consulting Agreement Between Cleartronic and Michael Gutowski

Reference is made to the Consulting Agreement dated October 1, 2008 between Cleartronic, Inc. (the "Company") and Michael Gutowski ("Gutowski")

Gutowski currently serves as Vice President of Sales and Marketing with the following compensation:

- Monthly consulting fee of \$8,000 per month.

The agreement is amended as of June 1, 2011 and both parties agree as follows:

- Gutowski will retain the position of Vice President of Sales and Marketing and remain a member of the Board of Directors.
- Monthly consulting fee will now be \$9,000 and \$3,000 per month accruing in shares or warrants at Gutowski's discretion through May 31, 2012. The exercise or conversion price of the shares or warrants shall be the average VWAP of the stock for the 30 days prior to the grant date. The "VWAP" shall be defined as the daily Volume Weighted Average Price ("VWAP"), as reported on Bloomberg.
- The company will reimburse Gutowski for health insurance premium costs, expected to be approximately \$6,000 per quarter.
- 1 year total of all the above is \$168,000.
- The Consulting Agreement and this Amendment may be assigned to a third party.
- If Gutowski quits for any reason other than for "good reason" as defined below, during the 12 months, he keeps the current month's fees and pro-rated portion of health insurance premiums, and forfeits the rest of the money.
- If Gutowski is terminated without cause, or quits for "good reason" during the 12 months, then the balance of the \$168,000 is due to him when he leaves.
  - Good reason is defined in his employment contract as loss of title or being essentially demoted.

Agreed to and Accepted /s/ Dana Waldman 7/8/11  
Dana Waldman, CEO Date

Agreed to and Accepted /s/ Michael Gutowski 7/8/11  
Michael Gutowski Date

## Exhibit 10.7

### Amendment to Consulting Agreement Between Cleartronic and Larry M. Reid

Reference is made to the Consulting Agreement dated October 1, 2008 between Cleartronic, Inc. (the "Company") and Larry M. Reid ("Reid").

Reid currently serves as President, CEO and CFO with the following compensation:

- Monthly consulting fee of \$8,000 per month.

The agreement is amended as of June 1, 2011 and both parties agree as follows:

- Reid will relinquish his position as President and CEO, retain the position of CFO and remain a member of the Board of Directors.
- Monthly consulting fee will now be \$9,000 and \$3,000 per month accruing in shares or warrants at Reid's discretion through May 31, 2012. The exercise or conversion price of the shares or warrants shall be the average VWAP of the stock for the 30 days prior to the grant date. The "VWAP" shall be defined as the daily Volume Weighted Average Price ("VWAP"), as reported on Bloomberg.
- The company will reimburse Reid for health insurance premium costs, expected to be approximately \$2,000 per quarter.
- 1 year total of all the above is \$152,000.
- The Consulting Agreement and this Amendment may be assigned to a third party.
- If Reid quits for any reason other than for "good reason" as defined below, during the 12 months, he keeps the current month's fees and pro-rated portion of health insurance premiums, and forfeits the rest of the money.
- If Reid is terminated without cause, or quits for "good reason" during the 12 months, then the balance of the \$152,000 is due to him when he leaves.
  - Good reason is defined in his employment contract as loss of title or being essentially demoted.

Agreed to and Accepted /s/ Dana Waldman 7/8/11  
Dana Waldman, CEO Date

Agreed to and Accepted /s/ Larry M. Reid 7/8/11  
Larry Reid Date

## Exhibit 10.9

### Amendment to Original Proposal Contract Between Cleartronic and Waldman and Associates

Reference is made to the Interim Consulting Proposal dated January 22, 2010 between Cleartronic, Inc. (the "Company") and Waldman and Associates ("Dana").

Dana currently serves as informal CEO with the following compensation:

- Monthly consulting fee of \$8,000 and \$4,000 per month accruing in shares or warrants at Dana's discretion through May 31, 2011.

The agreement is amended as of June 1, 2011 and both parties agree as follows:

- Dana will now take on the official role of CEO and be elected as a member of the Board of Directors.
- Monthly consulting fee will now be \$12,000 and \$4,000 per month accruing in shares or warrants at Dana's discretion through May 31, 2012. The exercise or conversion price of the shares or warrants shall be the average VWAP of the stock for the 30 days prior to the grant date. The "VWAP" shall be defined as the daily Volume Weighted Average Price ("VWAP"), as reported on Bloomberg.
- the Current Value as defined in the "Cleartronic, Inc. 2011 Incentive Equity Plan" on the last trading day of each month.
- The company will reimburse actual health insurance premium costs, expected to be approximately \$9,000 per quarter.
- 1 year total of all the above is \$228,000
- Special financing arrangements have been secured to fund the payments to Dana for the next 12 months, and those funds will be kept available for 12 full months starting June 1, 2011. These funds will not be used for any other purpose and will be available.
- If Dana quits for any reason other than for "good reason as defined below, during the 12 months, he keeps the current month's fees and pro-rated portion of health insurance premiums, and forfeits the rest of the money.
- If Dana is terminated without cause, or quits for "good reason" during the 12 months, then the balance of the \$228,000 is due to him when he leaves.
  - Good reason is defined in his employment contract as loss of title or being essentially demoted.
- If the company somehow collapses during the 12 months, the balance of the \$228,000, is still due to Dana.

Agreed to and Accepted /s/ Larry Reid  
Larry Reid

7/7/11  
Date

Agreed to and Accepted /s/ Dana Waldman  
Dana Waldman

7/7/11  
Date



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
Cleartronic, Inc. and Subsidiary

We consent to the inclusion of our report dated December 31, 2010 in Form 10-K of Cleartronic, Inc. and Subsidiary for the year ended September 30, 2010, relating to the consolidated balance sheet of the Company as of September 30, 2010, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended.

/s/ Kramer Weisman and Associates, LLP

December 29, 2011  
Davie, Florida



## Exhibit 31.1

### CERTIFICATION

I, Dana Waldman, certify that:

1. I have reviewed this annual report on Form 10-K of Cleartronic, 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 consolidated 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 15-d-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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) 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
  - d) 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: December 30, 2011

/s/ Dana Waldman  
Dana Waldman, Principal Executive Officer

## Exhibit 31.2

### CERTIFICATION

I, Larry Reid, certify that:

1. I have reviewed this annual report on Form 10-K of Cleartronic, 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 consolidated 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 15-d-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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) 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
  - d) 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: December 30, 2011

/s/ Larry Reid  
Larry Reid, Principal Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officers of Cleartronic, Inc. (the "Company"), do hereby certify, to each respective officer's knowledge, that the Annual Report on Form 10-K for the fiscal year ended September 30, 2011 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods indicated.

December 30,  
2011

/s/ Dana Waldman

By: Dana Waldman  
Principal Executive Officer

By :s/ Larry Reid

: Larry Reid  
Principal Financial Officer