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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

or

☐**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ____________

Commission file number: 0-23153

Track Group, Inc.
(Exact name of registrant as specified in its charter)

Utah	**87-0543981**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

405 S. Main Street, Suite 700, Salt Lake City, Utah 84111
(Address of principal executive offices) (Zip Code)

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large 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 Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock as of May 6, 2016 was 10,290,671.

Track Group, Inc.

FORM 10-Q

For the Quarterly Period Ended March 31, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRACK GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

The accompanying notes are an integral part of these condensed consolidated statements.

Assets	**March 31, 2016**	**September 30, 2015**
	(Unaudited)	
Current assets:		
Cash	$ 2,158,531	$ 4,903,045
Accounts receivable, net of allowance for doubtful accounts of $4,618,343 and $4,156,963, respectively	6,533,112	6,044,931
Note receivable, current portion	324,928	306,434
Prepaid expenses and other	937,326	1,266,277
Inventory, net of reserves of $98,150 and $225,900, respectively	744,922	741,514
Total current assets	10,698,819	13,262,201
Property and equipment, net of accumulated depreciation of $3,092,920 and $2,822,166, respectively	1,384,070	1,697,630
Monitoring equipment, net of accumulated amortization of $3,042,341 and $2,225,480, respectively	3,532,194	2,784,595
Intangible assets, net of accumulated amortization of $6,952,227 and $5,628,308, respectively	25,980,867	25,884,087
Other assets	2,703,498	2,619,035
Goodwill	7,950,572	7,782,903
Total assets	$ 52,250,020	$ 54,030,451
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	2,681,394	2,363,441
Accrued liabilities	2,618,886	2,705,403
Current portion of long-term debt, net of discount of $0 and $222,973, respectively	69,672	796,225
Total current liabilities	5,369,952	5,865,069
Stock payable - related party	3,439,978	3,501,410
Long-term debt, net of current portion and discount of $520,270 and $408,784, respectively	31,447,427	30,189,188
Other long-term liabilities	-	106,671
Total liabilities	40,257,357	39,662,338
Stockholders' equity:		
Common stock, $0.0001 par value: 30,000,000 shares authorized; 10,290,671 outstanding	1,029	1,026
Additional paid-in capital	298,293,244	297,591,034
Accumulated deficit	(284,893,800)	(280,845,882)
Accumulated other comprehensive income	(1,407,810)	(2,378,065)
Total equity	11,992,663	14,368,113
Total liabilities and stockholders' equity	$ 52,250,020	$ 54,030,451

The accompanying notes are an integral part of these condensed consolidated statements.

TRACK GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
Revenues:				
Products	$ 163,694	$ 185,561	$ 254,612	$ 277,150
Monitoring & other related services	6,428,345	4,630,556	12,655,031	9,159,586
Total revenues	6,592,039	4,816,117	12,909,643	9,436,736
Cost of revenues:				
Products	53,436	54,920	148,697	76,277
Monitoring & other related services	1,779,248	1,522,414	3,624,199	3,124,292
Depreciation & amortization included in cost of revenues	580,785	366,853	1,009,752	733,705
Impairment of monitoring equipment and parts (Note2)	60,000	85,221	120,000	140,301
Total cost of revenues	2,473,469	2,029,408	4,902,648	4,074,575
Gross profit	4,118,570	2,786,709	8,006,995	5,362,161
Operating expenses:				
General & administrative	3,424,342	3,403,573	6,835,985	6,253,504
Selling & marketing	593,272	528,704	1,213,301	971,407
Research & development	612,595	378,321	1,159,745	695,103
Depreciation & amortization	734,569	709,924	1,434,604	1,304,367
Loss from operations	(1,246,208)	(2,233,813)	(2,636,640)	(3,862,220)
Other income (expense):				
Interest expense, net	(631,409)	(633,361)	(1,325,917)	(1,305,852)
Currency exchange rate gain (loss)	(66,408)	(454,564)	(84,557)	(374,002)
Disgorgement funds received (Note 18)	-	4,700,000	-	4,700,000
Other income, net	23,336	9,208	(804)	14,329
Net income (loss) attributable to common shareholders	(1,920,689)	1,387,470	(4,047,918)	(827,745)
Foreign currency translation adjustments	755,160	(177,896)	970,255	(804,774)
Comprehensive income (loss)	$ (1,165,529)	$ 1,209,574	$ (3,077,663)	$ (1,632,519)
Basic earnings (loss) per common share	$ (0.19)	$ 0.14	$ (0.39)	$ (0.08)
Diluted earnings (loss) per common share	$ (0.19)	$ 0.14	$ (0.39)	$ (0.08)
Weighted average common shares outstanding, basic	10,271,000	10,144,000	10,266,000	10,126,000
Weighted average common shares outstanding, diluted	10,271,000	10,209,000	10,266,000	10,126,000

The accompanying notes are an integral part of these condensed consolidated statements.

TRACK GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31, 2016	Six Months Ended March 31, 2015
Cash flows from operating activities:		
Net loss	$ (4,047,918)	$ (827,745)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,444,355	1,985,012
Impairment of monitoring equipment and parts	120,000	140,301
Bad debt expense	461,380	180,154
Amortization of debt discount	111,487	193,065
Stock based compensation	310,199	111,234
Vesting and re-pricing of stock options	318,376	190,093
Loss on disposal of property and equipment	12,279	40,558
Change in assets and liabilities:		
Accounts receivable, net	(867,327)	(1,933,939)
Notes receivable	(18,494)	(15,496)
Inventories	(23,439)	(511,618)
Prepaid expenses and other assets	412,014	(276,259)
Accounts payable	416,624	1,647,497
Accrued expenses	1,167,541	(240,520)
Deferred revenue	-	(10,451)
Net cash provided by operating activities	817,077	671,886
Cash flow from investing activities:		
Purchase of property and equipment	(49,182)	(519,409)
Capitalized software	(1,089,454)	-
Purchase of monitoring equipment and parts	(1,435,210)	(1,486,893)
Leasehold improvements	-	(27,060)
Payment related to acquisition	-	(1,782,849)
Net cash used in investing activities	(2,573,846)	(3,816,211)
Cash flow from financing activities:		
Principal payments on notes payable	(986,292)	(1,197,366)
Repurchase of Series D Convertible Preferred Stock and warrants	-	(10,500)
Net cash used by financing activities	(986,292)	(1,207,866)
Effect of exchange rate changes on cash	(1,453)	(63,185)
Net increase (decrease) in cash	(2,744,514)	(4,415,376)
Cash, beginning of period	4,903,045	11,101,822
Cash, end of period	$ 2,158,531	$ 6,686,446

	2016	**2015**
Cash paid for interest	$ 25,513	$ 931,503
Supplemental schedule of non-cash investing and financing activities:		
Issuance of warrants for accrued Board of Director fees	95,968	477,142
Payment of interest from an increase in interest bearing debt	1,399,644	-
Common stock issuance for the acquisition of a subsidiary and milestone achievement	61,432	531,900

TRACK GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial information of Track Group, Inc. and subsidiaries (collectively, the " *Company*" or "*Track Group*") has been prepared in accordance with the Instructions to Form 10-Q and Article 8 of Regulation S-X promulgated by the Securities and Exchange Commission ("*SEC*"). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("*GAAP*") have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying interim consolidated financial information contains all adjustments, consisting only of normal recurring adjustments necessary to present fairly the Company's financial position as of March 31, 2016, and results of its operations for the three and six months ended March 31, 2016. These financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto that are included in the Company's Annual Report on Form 10-K for the year ended September 30, 2015. The results of operations for the three and six months ended March 31, 2016 may not be indicative of the results for the fiscal year ending September 30, 2016.

(2) PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of Track Group and its subsidiaries. All significant inter-company transactions have been eliminated in consolidation. Certain prior year amounts on the consolidated statement of operations have been reclassified to conform to the current period presentation. These reclassifications have no impact on the previously reported net loss.

(3) RECENTLY ISSUED ACCOUNTING STANDARDS

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("*FASB*") or other standard setting bodies, which are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, ("*ASU 2016-10*"). This update was intended to clarify two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The effective date for ASU 2016-10 is the same as Topic 606, which begins for annual reporting periods beginning after December 15, 2017. Management is currently evaluating the impact of the pending adoption of ASU 2016-10 on the Company's consolidated financial statements.

In March 2016, FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). This update was intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The amendments in this update have the same effective date as ASC 606 as discussed above. Management is currently evaluating the impact of the pending adoption of ASU 2016-08 on the Company's consolidated financial statements.

In March 2016, FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments in this update change the accounting for certain stock-based compensation transactions, including the income tax consequences and cash flow classification for applicable transactions. The amendments in this update are effective for annual periods beginning after December 31, 2016 and interim periods within those annual periods. Management is currently evaluating the impact that this amendment will have on its consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 841). For lessees, the amendments in this update require that for all leases not considered to be short term, a company recognize both a lease liability and right-of-use asset on its balance sheet, representing the obligation to make payments and the right to use or control the use of a specified asset for the lease term. The amendments in this update are effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods. Management is currently evaluating the impact that this amendment will have on its consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("*ASU 2015-17*"). Current GAAP requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. To simplify the presentation of deferred income taxes, ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update. The amendments in this update are effective for financial statements issued for annual periods beginning after March 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The adoption of ASU 2015-17 is not expected to have a material impact on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments (“ *ASU 2015-16*“). ASU 2015-16 requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 will be effective for the Company’s fiscal year beginning March 1, 2017 and subsequent interim periods. The adoption of ASU 2015-16 is not expected to have a material effect on the Company’s consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory, (“ *ASU 2015-11*“). ASU 2015-11 requires that an entity measure inventory at the lower of cost and net realizable value, unless the entity is using the LIFO or retail inventory method. ASU 2015-11 will be effective for the Company’s fiscal year beginning October 1, 2017 and subsequent interim periods, with early adoption permitted. Management is currently evaluating the impact of the pending adoption of ASU 2015-11 on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, (“ *ASU 2015-03*“). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 will be effective for the fiscal year beginning January 1, 2016 and subsequent interim periods, with earlier adoption permitted. ASU 2015-03 will be effective for the Company’s fiscal year beginning October 1, 2016 and subsequent interim periods. Management is currently evaluating the impact of the pending adoption of ASU 2015-03 on the Company’s consolidated financial statements.

(4) IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews its long-lived assets for impairment when events or changes in circumstances indicate that the book value of an asset may not be recoverable and in the case of goodwill, at least annually. The Company evaluates whether events and circumstances have occurred which indicate possible impairment as of each balance sheet date. If the carrying amount of an asset exceeds its fair value, an impairment charge is recognized for the amount by which the carrying amount exceeds the estimated fair value of the asset. Impairment of long-lived assets is assessed at the lowest levels for which there is an identifiable fair value that is independent of other groups of assets. The Company recorded $60,000 and $85,221 of impairment expenses related to monitoring equipment for the three months ended March 31, 2016 and 2015, respectively. Additionally, the Company recorded $120,000 and $140,301 of impairment expenses related to monitoring equipment for the six months ended March 31, 2016 and 2015, respectively.

(5) BUSINESS COMBINATIONS

The Company accounts for its business acquisitions under the acquisition method of accounting as indicated in ASC 805, Business Combinations, which requires the acquiring entity in a business combination to recognize the fair value of all assets acquired, liabilities assumed, and any non-controlling interest in the acquiree; and establishes the acquisition date as the fair value measurement point. Accordingly, the Company recognizes assets acquired and liabilities assumed in business combinations, including contingent assets and liabilities and non-controlling interest in the acquiree, based on fair value estimates as of the date of acquisition. In accordance with ASC 805, the Company recognizes and measures goodwill as of the acquisition date, as the excess of the fair value of the consideration paid over the fair value of the identified net assets acquired.

Acquired Assets and Assumed Liabilities

Pursuant to ASC No. 805-10-25, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, but during the allowed measurement period not to exceed one year from the acquisition date, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date, by means of adjusting the amount recognized for goodwill.

Contingent Consideration

In certain acquisitions, the Company agrees to pay additional amounts to sellers contingent upon achievement by the acquired businesses of certain negotiated future goals, such as targeted earnings levels. The Company records contingent consideration based on its estimated fair value as of the date of the acquisition. The Company evaluates and adjusts the value of contingent consideration, if necessary, at each reporting period based on the progress toward and likely achievement of certain targets on which issuance of the contingent consideration is based. Any differences between the acquisition-date fair value and the changes in fair value of the contingent consideration subsequent to the acquisition date are recognized in current period earnings until the arrangement is settled.

(6) ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive loss includes net loss as currently reported under U.S. GAAP and other comprehensive loss. Other comprehensive loss considers the effects of additional economic events, such as foreign currency translation adjustments, that are not required to be recorded in determining net loss, but rather are reported as a separate component of stockholders’ equity. The Chilean Peso, New Israeli Shekel and the Canadian Dollar are used as functional currencies of the following operating subsidiaries: (i) Track Group Chile SpA; (ii) Track Group International Ltd.; and (iii) Track Group Analytics Limited, respectively. The balance sheets of all subsidiaries have been converted into United States Dollars (USD) at the exchange rate prevailing at March 31, 2016.

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(7) NET LOSS PER COMMON SHARE

Basic net loss per common share ("*Basic EPS*") is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted net loss per common share ("*Diluted EPS*") is computed by dividing net loss attributable to common shareholders by the sum of the weighted-average number of common shares outstanding and the weighted-average dilutive common share equivalents outstanding. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect.

Common share equivalents consist of shares issuable upon the exercise of common stock options and warrants. As of March 31, 2016 and 2015, there were 436,705 and 262,603 outstanding common share equivalents, respectively, that were not included in the computation of Diluted EPS for the three and six months ended March 31, 2016 and the three and six months ended March 31, 2015, respectively as their effect would be anti-dilutive. The common stock equivalents outstanding as of March 31, 2016 and 2015 consisted of the following:

	March 31, 2016	March 31, 2015
Exercise of outstanding common stock options and warrants	436,705	262,603
Total common stock equivalents	436,705	262,603

(8) ACQUISITION

Track Group Analytics Limited

On November 26, 2014, the Company entered into a Share Purchase Agreement to purchase from the shareholders of Track Group Analytics Limited, formerly G2 Research Limited ("*TGA*"), all issued and outstanding shares of TGA for an aggregate purchase price of up to CAD$4,600,000 (the "*TGA Acquisition*"), of which CAD$2,000,000 was paid in cash to the TGA shareholders on the Closing Date with the remainder of the purchase price to be paid as follows: (i) CAD$600,000 to the former TGA shareholders in shares of common stock of which one-half of the shares were issued on the one-year anniversary of the closing and the balance to be issued on the two-year anniversary of the closing; and (ii) the CAD$2,000,000 to the former TGA shareholders in shares of common stock over a two-year period beginning as of the closing, upon the achievement of certain milestones set forth in the purchase agreement. As of March 31, 2016, the Company had issued 38,499 shares of common stock in connection to this acquisition and 70,962 shares of common stock to the TGA shareholders upon achieving certain performance milestones.

During the third quarter of fiscal 2015, the Company received the final valuation report for the TGA Acquisition. The Consolidated Balance Sheet at March 31, 2016 has been retrospectively adjusted to include the effect of the measurement period adjustments as required under ASC 805, Business Combinations, ("*ASC 805*"). The revisions to the purchase price allocation for the acquisition resulted from the Company's finalization of valuation of long-term and intangible assets with consideration of the valuation report obtained from a third party appraisal firm. The aforementioned adjustments resulted in a retrospective adjustment to goodwill by $2,384,000 and other intangibles by $1,817,000. The $1,653,000 in goodwill recognized as a result of this acquisition is not deductible for income tax purposes.

The fair value of patents, developed technology, customer contracts/relationship, tradename and trademarks were capitalized as of the acquisition date and will be subsequently amortized using a straight-line method to depreciation and amortization expense over their estimated useful lives.

Summary of Unaudited Pro-Forma Information

The unaudited pro-forma information below for the three and six months ended March 31, 2016 and 2015 gives effect to each of the acquisitions described herein as, if the acquisitions had occurred on October 1, 2013. The pro-forma financial information is not necessarily indicative of the results of operations if the acquisitions had been effective as of this date.

	Three Months Ended		Six Months Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Revenues:	6,592,039	4,816,117	12,909,643	9,801,883
Loss from operations	(1,246,208)	(2,233,813)	(2,636,640)	(3,917,377)
Net income (loss) from continuing operations	(1,920,689)	1,387,470	(4,047,918)	(878,804)
Basic earnings (loss) per common share	$ (0.19)	$ 0.14	$ (0.08)	$ (0.09)
Diluted earnings (loss) per common share	$ (0.19)	$ 0.14	$ (0.08)	$ (0.09)
Net income (loss) attributable to common shareholders	(1,920,689)	1,387,470	(4,047,918)	(878,804)
Basic earnings (loss) per common share	$ (0.19)	$ 0.14	$ (0.08)	$ (0.09)
Diluted earnings (loss) per common share	$ (0.19)	$ 0.14	$ (0.08)	$ (0.09)

(9) PREPAID AND OTHER EXPENSES

The carrying amounts reported in the balance sheets for prepaid expenses and other current assets approximate their fair market value based on the short-term maturity of these instruments. As of March 31, 2016 and September 30, 2015, the outstanding balance of prepaid and other expenses was $937,326 and $1,266,277, respectively. The $937,326 as of March 31, 2016 is comprised largely of prepayments toward inventory purchases, vendor deposits and other prepaid expenses.

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(10) INVENTORY

Inventory is valued at the lower of the cost or market. Cost is determined using the first-in, first-out ("*FIFO*") method. Market is determined based on the estimated net realizable value, which generally is the item's selling price. Inventory is periodically reviewed in order to identify obsolete, damaged or impaired items.

Inventory consists of finished goods that are sold to customers and used for minor repairs of ReliAlert ™, Shadow, and other tracking devices. Completed ReliAlert™, and other tracking devices are reflected in Monitoring Equipment. As of March 31, 2016 and September 30, 2015, respectively, inventory consisted of the following:

	March 31, 2016	September 30, 2015
Finished goods inventory	$ 843,072	$ 967,414
Reserve for damaged or obsolete inventory	(98,150)	(225,900)
Total inventory, net of reserves	$ 744,922	$ 741,514

(11) PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2016 and September 30, 2015, were as follows:

	March 31, 2016	September 30, 2015
Equipment, software and tooling	$ 2,679,618	$ 2,823,685
Automobiles	86,623	33,466
Leasehold improvements	1,297,908	1,351,017
Furniture and fixtures	412,841	311,628
Total property and equipment before accumulated depreciation	4,476,990	4,519,796
Accumulated depreciation	(3,092,920)	(2,822,166)
Property and equipment, net of accumulated depreciation	$ 1,384,070	$ 1,697,630

Depreciation expense recognized for property and equipment for the three months ended March 31, 2016 and 2015 was $212,902 and $149,188, respectively. Depreciation expense for property and equipment for the six months ended March 31, 2016 and 2015 was $388,990 and $320,095, respectively.

(12) MONITORING EQUIPMENT

Monitoring equipment as of March 31, 2016 and September 30, 2015, was as follows:

	March 31, 2016	September 30, 2015
Monitoring equipment	$ 6,574,535	$ 5,010,075
Less: accumulated amortization	(3,042,341)	(2,225,480)
Monitoring equipment, net of accumulated depreciation	$ 3,532,194	$ 2,784,595

The Company began leasing monitoring equipment to agencies for offender tracking in April 2006 under operating lease arrangements. The monitoring equipment is amortized using the straight-line method over an estimated useful life of three to five years.

Depreciation of monitoring equipment for the three months ended March 31, 2016 and 2015 was $408,285 and $248,495, respectively. Depreciation of monitoring equipment for the six months ended March 31, 2016 and 2015 was $784,753 and $438,109, respectively. These expenses were recognized in cost of revenues.

(13) INTANGIBLE ASSETS

The following table summarizes the activity of intangible assets for the second fiscal quarter ended March 31, 2016:

	March 31, 2016	September 30, 2015
Patent & royalty agreements	$ 21,170,565	$ 21,170,565
Technology	8,804,050	7,442,186
Customer relationships	2,561,674	2,538,496
Trade name	318,604	310,762
Website	78,201	50,386
Total intangible assets	32,933,094	31,512,395
Accumulated amortization	(6,952,227)	(5,628,308)

Intangible assets, net of		
accumulated amortization	$ 25,980,867	$ 25,884,087

The intangible assets summarized above were purchased on various dates from January 2010 through March 2016. The assets have useful lives ranging from three to ten years. Amortization expense for the three months ended March 31, 2016 and 2015 was $521,664 and $468,691, respectively. Amortization for the six months ended March 31, 2016 and 2015 was $1,045,612 and $939,684, respectively.

(14) GOODWILL

The following table summarizes the activity of goodwill at March 31, 2016 and September 30, 2015, respectively:

	March 31, 2016	September 30, 2015
Balance - beginning of period	$ 7,782,903	$ 6,577,609
Additions resulting from acquisitions:		
Acquisition of Track Group Analytics Limited	-	1,653,815
Effect of foreign currency translation on goodwill	167,669	(448,521)
Balance - end of period	$ 7,950,572	$ 7,782,903

Goodwill is recognized in connection to acquisition transactions in accordance with ASC 805. The Company performs an impairment test for goodwill annually or more frequently if indicators of potential impairment exist. No impairment of goodwill had been recognized through March 31, 2016.

(15) OTHER ASSETS

As of March 31, 2016 and September 30, 2015, the outstanding balance of other assets was $2,703,498 and $2,619,035, respectively. The balance of other assets is comprised largely of a large performance bond for an international customer. The Company anticipates this restricted cash will be unrestricted and available to the Company in March 2018.

(16) ACCRUED EXPENSES

Accrued expenses consisted of the following as of March 31, 2016 and September 30, 2015:

	March 31, 2016	September 30, 2015
Accrued royalties	$ 21,202	$ 7,077
Accrued payroll, taxes and employee benefits	1,409,175	1,154,168
Accrued consulting and professional fees	180,776	449,973
Accrued taxes - foreign and domestic	12,599	93,407
Accrued settlement costs	80,000	30,000
Accrued board of directors fees	127,167	248,830
Accrued rent, office and other expenses	120,835	69,478
Accrued cellular costs	98,412	20,000
Accrued warranty and manufacturing costs	152,036	39,050
Accrued interest	416,684	593,420
Total accrued expenses	$ 2,618,886	$ 2,705,403

(17) DEBT OBLIGATIONS

On July 14, 2015, we entered into an Amended and Restated Facility Agreement (the "*Amended Facility Agreement*") with Conrent Invest S.A. ("*Conrent*") to amend certain provisions of the Company's existing $25.0 million unsecured debt facility. Pursuant to the terms and conditions of the Amended Facility Agreement, effective June 30, 2015, the Company was able to borrow an additional $5.4 million of unsecured debt, which, together with the $25.0 million of unsecured debt previously borrowed under the debt facility, now accrues interest at a rate of 8% per annum and mature on July 31, 2018. The Amended Facility Agreement also provides the Company with a voluntary prepayment option, whereby the Company may pay all amounts borrowed, including all accrued but unpaid interest, prior to the maturity date without any penalty or prepayment fee. In connection with the execution of the Amended Facility Agreement, the Company used the available $5.4 million to pay to Conrent an arrangement fee of $500,000 and $822,222 of accrued but unpaid interest. During the year ended September 30, 2015, the Company received the remaining $4.08 million.

On September 25, 2015, the Company entered into a Loan Agreement (the "*Loan Agreement*") with one of the Company's related parties, Sapinda Asia Limited ("*Sapinda*") to provide the Company with a $5.0 million line of credit that accrues interest at a rate of 3% per annum for undrawn funds, and 8% per annum for borrowed funds. Pursuant to the terms and conditions of the Loan Agreement, available funds may be drawn down at the Company's request at any time until the Loan Agreement matures on September 30, 2017 (the "*Maturity Date*"), when all borrowed funds, plus all accrued but unpaid interest will become due and payable. The Company, however, may elect to satisfy any outstanding obligations under the Loan Agreement prior to the Maturity Date without penalties or fees. The Company drew $1,399,644 on this line of credit during the six months ended March 31, 2016.

Debt obligations as of March 31, 2016 and September 30, 2015, respectively, are comprised of the following:

	March 31, 2016	September 30, 2015
Unsecured facility agreement with an entity whereby, as of June 30, 2015, the Company can borrow up to $30.4 million bearing interest at a rate of 8% per annum, payable in arrears semi-annually,with all principal and accrued and unpaid interest due on July 31, 2018. A $1.2 million origination fee was paid and recorded as a debt discount and will be amortized as interest expense over the term of the loan. The remaining debt discount was $520,270 and $631,757 at March 31, 2016 and September 30, 2015, respectively.	$ 29,879,730	$ 29,768,243
The Loan Agreement, whereby the Company can borrow up to $5 million at 8% per annum on borrowed funds maturing on September 30, 2017.	1,399,644	-
The Company entered into an agreement whereby the Company was granted a non-exclusive, irrevocable, perpetual and royalty-free license to certain patents with an entity. The Company agreed to pay $4,500,000 over two years or $187,500 per month through February 2016.	-	937,500
Capital leases with effective interest rates that range between 8.51% and 17.44%. Leases mature between June 2015 and November 2016. $154,410 was assumed through the sale of Midwest Monitoring & Surveillance, Inc. to its former owners.	21,383	24,754
Non-interest bearing notes payable to a governmental agency assumed in conjunction with the G2 acquisition.	216,342	254,917
Total debt obligations	31,517,099	30,985,414
Less current portion	(69,672)	(796,225)
Long-term portion of related party debt	-	-
Long-term debt, net of current portion	$ 31,447,427	$ 30,189,189

The following table summarizes the Company's future maturities of debt obligations, net of the amortization of debt discounts as of March 31, 2016:

Fiscal Year	Total
2016	$ 34,836
2017	1,469,317
2018	30,456,140
2019	42,608
2020 & thereafter	34,468
Debt discount	(520,270)
Total	**$ 31,517,099**

In connection with the TGA Acquisition, as described in Note 8 above, the Company assumed three notes payable to the Atlantic Canada Opportunities Agency ("*ACOA*"). These notes are non-interest bearing notes and are payable in monthly increments ranging from $3,125 to $4,125.

(18) RELATED-PARTY TRANSACTIONS

Disgorgement Funds Received

During January 2015, the Company received notice from a shareholder of the Company stating that the shareholder was returning realized profits from their trades of the Company's common stock during the year ended September 30, 2014. The shareholder also indicated that during this time, the shareholder was subject to Section 16 of the Security Exchange Act of 1934, as amended (the "*Exchange Act*") because they owned more than 10% of the shares of Company common stock. As such, the shareholder complied with Section 16(b) of the Exchange Act by returning the realized profits to the Company in the amount of $4.7 million. The Company received these funds during January 2015.

Related-Party Loan Agreement

On September 25, 2015, the Company entered into the Loan Agreement described in Note 17 above with Sapinda Asia, a significant shareholder, to provide the Company with a $5.0 million line of credit that accrues interest at a rate of 3% per annum for undrawn funds and 8% per annum for borrowed funds. Pursuant to the terms and conditions of the Loan Agreement, available funds may be drawn down at the Company's request at any time until the loan agreement matures on September 30, 2017, when all borrowed funds, plus all accrued but unpaid interest will become due and payable. The Company, however, may elect to satisfy any outstanding obligations under the loan agreement prior to the maturity date without penalties or fees. The Company drew $1,399,644 of this line of credit during the six months ended March 31, 2016.

Stock Payable – Related Party

In connection with the acquisitions described under Note 8 above, the Company recognized a liability for stock payable to the former owners of the entities acquired. In conjunction with the respective purchase agreements, shares of the Company's stock are payable based on the achievement of certain milestones. Changes in the stock payable liability are shown below:

	March 31, 2016	September 30, 2015
Beginning balance	$ 3,501,410	$ 3,000,000
Stock payable resulting from the acquisition of Track Group Analytics	-	1,170,000
Payment of shares for achieving performance milestones	(61,432)	(668,590)
Ending balance	$ 3,439,978	$ 3,501,410

Shares of common stock valued at $3,000,000 that can be earned by the former owner of GPS Global for achieving certain milestones were included in the beginning balance shown above. Each of the foregoing related-party transactions was reviewed and approved by disinterested and independent members of the Company's Board of Directors.

(19) PREFERRED AND COMMON STOCK

The Company is authorized to issue up to 20,000,000 shares of preferred stock, $0.0001 par value per share. The Company's Board of Directors has the authority to amend the Company's Articles of Incorporation, without further shareholder approval, to designate and determine, in whole or in part, the preferences, limitations and relative rights of the preferred stock before any issuance of the preferred stock and to create one or more series of preferred stock. As of March 31, 2016, there were no shares of preferred stock outstanding.

During the year ended September 30, 2015, the Company purchased 42,000 warrants to purchase shares of Series D Preferred for $10,500 in cash. As of March 31, 2016, zero warrants to purchase shares of Series D Preferred were issued and outstanding.

During the six months ended March 31, 2016, the Company issued 7,185 shares of common stock to the former owners of G2 Research Limited (see Note 8) for achieving certain milestones outlined in the Share Purchase Agreement. In addition, 22,198 shares of common stock were issued to employees under a long term incentive program.

(20) STOCK OPTIONS AND WARRANTS

Stock Incentive Plan

At the annual meeting of shareholders on March 21, 2011, the shareholders approved the 2012 Equity Compensation Plan (the "*2012 Plan*"). The 2012 Plan provides for the grant of incentive stock options and nonqualified stock options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards and performance-based awards to employees and certain non-employees who provide services to the Company in lieu of cash. A total of 90,000 shares were initially authorized for issuance pursuant to awards granted under the 2012 Plan. At the 2015 annual meeting of shareholders held on May 19, 2015, our stockholders approved a 713,262 share increase to the total number of shares authorized under the 2012 Plan. During the six months ended March 31, 2016 and 2015, 78,076 warrants were issued under the 2012 Plan. As of March 31, 2016, 388,333 shares of common stock were available for future grants under the 2012 Plan.

All Options and Warrants

The fair value of each stock option and warrant grant is estimated on the date of grant using the Black-Scholes option-pricing model. During the six months ended March 31, 2016 and 2015, the Company granted 78,076 and 14,988 warrants to purchase shares of common stock. These warrants vested immediately and expire two years from grant date. Additionally, during the quarter ended March 31, 2015, the Company extended the life of 129,808 warrants which had been granted during 2013 and 2014, and recorded an expense of $39,929. The Company also recorded $112,519 and $50,054 of expense for the six months ended March 31, 2016 and 2015, respectively, related to the issuance and vesting of outstanding stock options and warrants.

The option and warrant grants for six months ended March 31, 2016 were valued using the Black-Scholes model with the following weighted-average assumptions:

	2016	2015
Expected stock price volatility	71%	76%
Risk-free interest rate	0.86%	0.54%
Expected life of options	2 Years	2 Years

The expected life of stock options (warrants) represents the period of time that the stock options or warrants are expected to be outstanding based on the simplified method allowed under GAAP. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury bill rate for the expected life of the related stock options (warrants). The dividend yield represents the Company's anticipated cash dividends over the expected life of the stock options (warrants).

A summary of stock option activity for the six months ended March 31, 2016 is presented below:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding as of September 30, 2015	381,656	$ 15.71		
Granted	78,076	$ 18.09		
Expired	(23,027)	$ 23.99		
Exercised	-	$ -		
Outstanding as of March 31, 2016	436,705	$ 11.65	1.11	$ 20,798
Exercisable as of March 31, 2016	436,705	$ 11.65	1.11	$ 20,798

The intrinsic value of options outstanding and exercisable is based on the Company's share price of $6.50 at March 31, 2016.

(21) COMMITMENTS AND CONTINGENCIES

Legal Matters

We are, from time to time, involved in various legal proceedings incidental to the conduct of our business. Historically, the outcome of all such legal proceedings has not, in the aggregate, had a material adverse effect on our business, financial condition, results of operations or liquidity. Other than as set forth below, there are no additional pending or threatened legal proceedings at this time.

Lazar Leybovich et al. v. SecureAlert, Inc. On March 29, 2012, Lazar Leybovich, Dovie Leybovich and Ben Leybovich filed a complaint in the 11th Circuit Court in and for Miami-Dade County, Florida alleging breach of contract with regard to certain Stock Redemption Agreements. The complaint was subsequently withdrawn by the plaintiffs. An amended complaint was filed by the plaintiffs on November 15, 2012. On May 2, 2016, the Court resolved this case in favor of the Company by granting the Company's motion for summary judgement. The Court's ruling is subject to appeal.

Boggs et al. v. Judicial Electronic Monitoring, SecureAlert, Inc. et al. On March 3, 2015, Candace Boggs et al. filed a complaint in the State Court of Dougherty County, Georgia, alleging breach of contract and negligence in monitoring of certain offenders in Dougherty County, Georgia, as well as a request for punitive damages. The plaintiff withdrew their complaint as of April 11, 2016.

Larry C. Duggan v. Court Programs of Florida, Inc. and SecureAlert, Inc. On March 26, 2012, Mr. Duggan filed a complaint in the 9th Circuit Court in and for Orange County, Florida alleging malicious prosecution, abuse of process and negligent infliction of emotional distress against the Company and its subsidiary. The case resulted from actions of a former agent of the Company’s subsidiary. The Company continues to defend itself in this matter. The Company has not accrued any potential loss as the probability of incurring a material loss is deemed remote by management, after consultation with outside legal counsel.

(22) SUBSEQUENT EVENTS

The Company evaluated subsequent events through the date the accompanying consolidated financial statements were issued. Subsequent to March 31, 2016, the following events occurred:

Marion County Agreement

On May 5, 2016, the Company executed an agreement with Marion County Community Corrections, the largest county in the state of Indiana, to provide electronic monitoring services across the full range of sentences under the Agency's oversight. Under the terms of the Agreement, the Company will provide solutions based on GPS and alcohol monitoring technology to monitor over 2,300 offenders and defendants. This includes the Company's newest tracking device, Shadow, which is the smallest, lightest and most advanced device. The term of the Agreement is eighteen months, and is expected to contribute over $4.0 million in revenue.

Loan Agreement

On May 1, 2016 we entered into an unsecured Loan Agreement with Conrent Invest S.A., acting with respect to its Compartment Safety III. Under this agreement, we will borrow $5.0 million for working capital, repayment of debt, and operating purposes. This loan is to be fully funded by May 16, 2016, and will bear interest at a rate of 8% per annum, payable in arrears semi-annually, with all principal and accrued unpaid interest due on July 31, 2018. In addition, we agreed to pay the lender an arrangement fee of $112,500.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Report contains information that constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"). Generally, the statements contained in this Quarterly Report on Form 10-Q that are not purely historical can be considered to be "forward-looking statements." These statements represent our expectations, hopes, beliefs, anticipations, commitments, intentions, and strategies regarding the future. They may be identified by the use of words or phrases such as "believes," "expects," "intends," "anticipates," "should," "plans," "estimates," "projects," "potential," and "will," among others. Forward-looking statements include, but are not limited to, statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial performance, revenue, and expense levels in the future and the sufficiency of our existing assets to fund future operations and capital spending needs. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in "Risk Factors" in our most recent Annual Report on Form 10-K, and those described from time to time in our reports filed with the SEC.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto that are contained in this Report, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K, for the fiscal year ended September 30, 2015 and Current Reports on Form 8-K that have been filed with the SEC through the date of this Report. Except as otherwise indicated, as used in this Report, the terms "*the Company*," "*Track Group*," "*we*," "*our*," "*us*," refer to Track Group, Inc., a Utah corporation.

General

Our core business is based on the manufacture and leasing of patented tracking and monitoring solutions to federal, state and local law enforcement agencies, both in the U.S and abroad, for the electronic monitoring of offenders and offering unique data analytics services on a platform-as-a-service (PaaS) business model. Currently, the Company deploys offender based management services that combine patented GPS tracking technologies, fulltime 24/7/365 global monitoring capabilities, case management, and proprietary data analytics. We offer customizable tracking solutions that leverage real-time tracking data, best-practices monitoring, and analytics capabilities to create complete, end-to-end tracking solutions.

Our devices consist of the ReliAlert, Shadow and R.A.D.A.R. These devices are leased on a daily rate basis and may be combined with our monitoring center services, proprietary software and data analytics subscription to provide an end-to-end PaaS.

<u>ReliAlert and Shadow.</u> Our tracking devices utilize patented technology and are securely attached around an offender's ankle with a tamper resistant strap that cannot be adjusted or removed without detection, unless by a supervising officer, and which is activated through services provided by our Monitoring Centers (or other agency-based monitoring centers). The ReliAlert and Shadow units are intelligent devices with integrated computer circuitry, utilizing both GPS and RF, and constructed from case-hardened plastics designed to promptly notify the intervention centers of any attempt made to breach applicable protocols, or to remove or otherwise tamper with the device or optical strap housing. The ReliAlert platform incorporates voice communication technology that provides officers with 24/7/365 voice communication with the offenders. Both devices are FCC, CE and PTCRB certified and protected by numerous patents and trademarks.

<u>R.A.D.A.R.</u> Our Real-Time Alcohol Detection and Recognition (R.A.D.A.R.) device is comprehensive proprietary alcohol offender supervision and monitoring system with a fuel-cell based, breath-alcohol testing system that incorporates a number of safeguards to prevent tampering, including biometric user identification to provide accurate, actionable alcohol alerts. All breath-alcohol tests are time stamped and include a GPS fix. The web-enabled reporting center assures testing compliance with notifications via text or email.

<u>Monitoring Center Services.</u> Our monitoring center facilities provide live 24/7/365 monitoring of all alarms generated from our devices, as well as customer and technical support. Our monitoring center operators play a vital role, and as such, we staff our centers with highly-trained, bi-lingual individuals. These operators act as an extension of agency resources receiving alarms, communicating and intervening with offenders regarding violations, and interacting with supervision staff, all pursuant to agency-established protocols. The facilities have redundant power source, battery back-up and triple redundancy in voice, data, and IP. The Company has established monitoring centers in Salt Lake City, Utah USA, and Santiago, Chile, SA. In addition the Company has assisted in the establishment of monitoring centers for customers and local partners in the Bahamas and in Puerto Rico.

<u>Data Analytics Services.</u> Our TrackerPAL software, TrackerPAL Mobile, combined with our Data Analytic analysis tools, provide an integrated platform allowing case managers and law enforcement officers' quick access views of a targets travel behavior, mapping, and provide inference on patterns. Our advanced data analytics service offers a highly complex predictive reporting mechanism that combines modern statistical methods, developed using computer science and used by intelligence agencies that separate noteworthy events from normal events, rank offender cases according to their need for supervision, and relate decision-relevant metrics to benchmarks in real-time.

Recent Developments

Marion County Agreement

On May 5, 2016, the Company executed an agreement with Marion County Community Corrections, the largest county in the state of Indiana, to provide electronic monitoring services across the full range of sentences under the Agency's oversight. Under the terms of the Agreement, the Company will provide solutions based on GPS and alcohol monitoring technology to monitor over 2,300 offenders and defendants. This includes the Company's newest tracking device, Shadow, which is the smallest, lightest and most advanced device. The term of the Agreement is eighteen months, and is expected to contribute over $4.0 million in revenue.

Loan Agreement

On May 1, 2016 we entered into an unsecured Loan Agreement with Conrent Invest S.A., acting with respect to its Compartment Safety III. Under this agreement, we will borrow $5.0 million for working capital, repayment of debt, and operating purposes. This loan is to be fully funded by May 16, 2016, and will bear interest at a rate of 8% per annum, payable in arrears semi-annually, with all principal and accrued unpaid interest due on July 31, 2018. In addition, we agreed to pay the lender an arrangement fee of $112,500.

Virginia Department of Corrections Agreement

On October 1, 2015, the Company executed an agreement with the Virginia Department of Corrections (the " *Department*") to provide electronic monitoring services across the full range of sentences under the Department's oversight, pursuant to which the Company will provide solutions based on GPS and biometric voice verification technology designed to monitor over 16,000 offenders and defendants. The term of the Agreement is six years, with a minimum two-year period, and is valued at approximately $11.3 million.

Increase of Authorized Common Stock

The holder of a majority of the Company's voting stock executed a written consent approving an amendment (the " *Amendment*") to the Company's Amended and Restated Articles of Incorporation to increase the total number of shares of the Company's common stock authorized for issuance thereunder from 15.0 million shares to 30.0 million shares. The Amendment was filed during the quarter ended March 31, 2016.

Strategy

Our global growth strategy is to continue to expand service offerings on a subscription basis that empowers professionals in security, law enforcement, corrections and rehabilitation organizations worldwide with a single-sourced, real-time, end-to-end offender management solution that integrates reliable intervention technologies to support re-socialization, monitoring, and predictive analytics for offenders. To accomplish this objective, we have and will continue to innovate and grow our portfolio of proprietary and non-proprietary real-time monitoring and intervention products and services. These include GPS, RF, drug and alcohol testing for offenders, and predictive analytics. Given the flexibility of our platform, our device technology, tracking, monitoring, and analytical capabilities, we believe that our solutions may apply to other industry verticals that require tracking, monitoring and predictive analytics.

Critical Accounting Policies

From time to time, management reviews and evaluates certain accounting policies that are considered to be significant in determining our results of operations and financial position.

A description of the Company's critical accounting policies that affect the preparation of the Company's financial statements is set forth in the Company's Annual Report on Form 10-K for the year ended September 30, 2015. Such policies were unchanged during the six months ended March 31, 2016.

The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. We assess the reasonableness of our estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, product liability, revenue, and income taxes. We base our estimates on historical experience as well as available current information on a regular basis. Management uses this information to form the basis for making judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Results of Operations

Three Months Ended March 31, 2016, Compared to Three Months Ended March 31, 2015.

Revenues

For the three months ended March 31, 2016, the Company recognized revenue from operations of $6,592,039, compared to $4,816,117 for the three months ended March 31, 2015, an increase of $1,775,922 (37%). The increase in revenues was principally the result of (i) increased sales generated by our Chilean operations, (ii) increases in organic growth from our North American operations, and (iii) to a lesser extent, increases in revenue generated by our analytics offerings.

Product revenue decreased $21,867 (12%) from $185,561 for the three months ended March 31, 2015, to $163,694 for the three months ended March 31, 2016. The decrease in product revenues was the result of fewer sales of products as the Company continues to concentrate sales efforts on a subscription based solution.

Cost of Revenue

During the three months ended March 31, 2016, cost of revenue totaled $2,473,469 compared to cost of revenue during the three months ended March 31, 2015 of $2,029,408, an increase of $444,061 (22%). The increase in cost of revenue was largely the result of increases in total monitoring and other related services deployed in domestic and international operations, and to a lesser extent, an increase in analytics services attributable to our Canadian subsidiary.

Depreciation and amortization included in cost of revenue for the three months ended March 31, 2016 and 2015 totaled $580,785 and $366,853, respectively. The $213,932 (58%) increase in costs principally represents depreciation of monitoring devices as well as the amortization of certain royalty agreements. Devices are depreciated over a three to five year useful life. Royalty agreements are being amortized over a ten year useful life. The Company believes these lives are appropriate due to rapid changes in electronic monitoring technology and the corresponding potential for obsolescence. Management periodically assesses estimates for useful lives of assets for appropriateness.

The Company expects cost of revenue as a percentage of revenues to decrease in the foreseeable future due to (i) lower manufacturing costs, (ii) procurement and fulfillment outsourcing, and (iii) efficiencies due to further increases in automation of our proprietary software.

Impairment cost for equipment and parts for the three months ended March 31, 2016 and 2015 were $60,000 and $85,221, respectively. These costs relate to disposal of obsolete inventory, monitoring equipment and parts as we continue to make significant enhancements to our various devices.

Gross Profit and Margin

During the three months ended March 31, 2016, gross profit totaled $4,118,570, or 62% of net revenue compared to $2,786,709, or 58% of net revenue during the three months ended March 31, 2015. The increase in gross profit and margin are due to (i) higher overall revenues, and (ii) lower incremental cost due to more efficient and cost effective supply channels, outsourcing, and software automation.

Research and Development Expense

During the three months ended March 31, 2016, research and development expense totaled $612,595 compared to $378,321 for the three months ended March 31, 2015, an increase of $234,274 (62%). The Company is significantly enhancing its technology platform to improve the efficiency of its software, firmware and user interface. As a result of these improvements, $646,876 was capitalized as developed technology during the three months ended March 31, 2016. A portion of these expenses would have been recognized as research and development expense, absent the significant enhancements.

General and Administrative Expense

During the three months ended March 31, 2016, general and administrative expense totaled $3,424,342 compared to $3,403,573 for the three months ended March 31, 2015. The increase of $20,769 (1%) in general and administrative cost resulted largely from increases in stock compensation expense associated with the vesting schedule under the Company's 2012 long term incentive program offset by decreases in total other operating expenses.

Selling and Marketing Expense

During the three months ended March 31, 2016, selling and marketing expense increased to $593,272 compared to $528,704 for the three months ended March 31, 2015. The $64,568 (12%), increase was principally to address domestic and international growth initiatives that resulted in increases in spending on trade show expenses, travel, and outside marketing service providers.

Depreciation and Amortization Expense

During the three months ended March 31, 2016, depreciation and amortization expense totaled $734,569 compared to $709,924 for the three months ended March 31, 2015. The $24,645 (3%) increase was largely the result of depreciation and amortization resulting from higher monitoring devices deployed domestically and internationally.

Other Income and Expense

For the three months ended March 31, 2016, net interest expense was $631,409 compared to $633,361 for the three months ended March 31, 2015, a decrease of $1,952. This decrease in net interest expense resulted primarily from interest income generated in 2016 which was not generated during 2015. During the three months ended March 31, 2015, the Company received $4.7 million in disgorgement profits from one of our shareholders, pursuant to Section 16(b) of the Exchange Act (see Note 18 to our condensed consolidated financial statements). No similar transactions occurred during the three months ended March 31, 2016.

Net Loss

The Company had a net loss of $1,920,689 for the three months ended March 31, 2016, compared to a net income of $1,387,470 for the three months ended March 31, 2015, a decrease of $3,308,159. This decrease is largely due to a disgorgement of funds received in 2015 which was not received during 2016, offset by an increase in the Company's total revenue and decreases in both overall cost of revenues and operating expenses, as a percentage of incremental revenue.

Six Months Ended March 31, 2016, Compared to Six Months Ended March 31, 2015

Revenue

For the six months ended March 31, 2016, the Company recognized revenues from operations of $12,909,643, compared to $9,436,736 for the six months ended March 31, 2015, an increase of $3,472,907 (37%). Of these revenues, $12,655,031 and $9,159,586, respectively, were from monitoring and other related services, an increase of $3,495,445 (38%). The increase in revenues was principally the result of (i) increased sales generated by out Chilean operations, (ii) increases in organic growth from our North American operations, and (iii) to a lesser extent, increases in revenue generated by our analytics offerings.

Product revenues decreased $22,538 (8%) from $277,150 for the six months ended March 31, 2015, to $254,612 for the six months ended March 31, 2016. The decrease was the result of fewer sales of products as the Company continues to focus on subscription based service revenues.

Our international operations expose us to certain currency fluctuations of the local currency in relation to the dollar; therefore, foreign currencies may appreciate or depreciate due to inflation or devaluation in relation to the dollar. We cannot predict foreign currency volatility in relation to the dollar.

Cost of Revenue

During the six months ended March 31, 2016, cost of revenues totaled $4,902,648 compared to cost of revenues during the six months ended March 31, 2015 of $4,074,575, an increase of $828,073 (20%). The increase in cost of revenue was largely the result of increases in total monitoring and other related services deployed in domestic and international operations, and to a lesser extent, an increase in analytics services attributable to our Canadian subsidiary.

Depreciation and amortization included in cost of revenue for the six months ended March 31, 2016 and 2015 totaled $1,009,752 and $733,705, respectively. This $276,047 (38%) increase in costs represent depreciation of TrackerPAL ™ and ReliAlert devices as well as the amortization of certain royalty agreements. Devices are depreciated over a three to five year useful life. Royalty agreements are being amortized over a ten year useful life. The Company believes these lives are appropriate due to rapid changes in electronic monitoring technology and the corresponding potential for obsolescence. Management periodically assesses estimates for useful lives of assets for appropriateness.

The Company expects the cost of revenue as a percentage of revenues to decrease in the foreseeable future due to (i) lower manufacturing costs, (ii) procurement and fulfillment outsourcing, and (iii) efficiencies due to further increases in automation of our proprietary software.

Impairment cost for equipment and parts for the six months ended March 31, 2016 and 2015 were $120,000 and $140,301, respectively. These costs resulted from the disposal of obsolete inventory, monitoring equipment and parts as we continue to make significant enhancements to our various devices.

Gross Profit and Margin

During the six months ended March 31, 2016, gross profit totaled $8,006,995, or 62% of net revenues compared to $5,362,161, or 57% of net revenues during the six months ended March 31, 2015. The increase in gross profit and margin are due to (i) higher overall revenues, and (ii) lower incremental cost due to more efficient and cost effective supply channels, outsourcing, and software automation.

Research and Development Expense

During the six months ended March 31, 2016, research and development expense totaled $1,159,745 compared to research and development expense for the six months ended March 31, 2015 totaling $695,103, an increase of $464,642 (67%). These research and development costs were incurred to improve efficiency in the software, firmware and hardware of our products and services. The Company is currently enhancing its software platform. As a result of these improvements, $1,089,454 was capitalized as developed technology during the six months ended March 31, 2016. A portion of these expenses would have been recognized as research and development expense, absent the significant software enhancements.

General and Administrative Expense

During the six months ended March 31, 2016, general and administrative expense totaled $6,835,985 compared to $6,253,504 for the six months ended March 31, 2015. The increase of $582,481 (9%) in general and administrative cost resulted largely from (i) increases in payroll and benefits costs, (ii) stock compensation expense associated with vesting schedule under the Company's 2012 Plan, and (iii) other operating expenses including professional fees, bad debt, and outside services.

Selling and Marketing Expense

During the six months ended March 31, 2016, selling and marketing expense totaled $1,213,301 compared to $971,407 for the six months ended March 31, 2015. The $241,894 (25%) increase was principally the result of (i) increases in commissions and royalty payments resulting from higher revenue, (ii) increases in outside marketing service providers including travel, and (iii) an increases in trade show participation expense in order to meet growth initiatives.

Depreciation and Amortization Expense

During the six months ended March 31, 2016, depreciation and amortization expense totaled $1,434,604 compared to $1,304,367 for the six months ended March 31, 2015. The $130,237 (10%) increase was largely the result of depreciation and amortization during the period on higher devices deployed and those assets acquired during the previous year.

Other Income and Expense

For the six months ended March 31, 2016, net interest expense was $1,325,917 compared to $1,305,852 for the six months ended March 31, 2015. This nominal increase in interest expense resulted primarily from the increase in interest bearing debt outstanding, offset by an increase in interest income during the six months ended March 31, 2016 when compared to the six months ended March 31, 2015.

Net Loss

The Company had a net loss from continuing operations for the six months ended March 31, 2016 totaling $4,047,918 compared to a net loss of $827,745 for the six months ended March 31, 2015. This increase is largely due to disgorgement funds received in 2015 which was not received during 2016.

Liquidity and Capital Resources

The Company currently is unable to finance its business solely from cash flows from operating activities. During the prior year, the Company supplemented cash flows to finance the business from borrowings under a credit facility, disgorgement funds, and from the sale and issuance of debt securities. No such borrowings or sales of equity securities occurred during the three or six months ended March 31, 2016. In addition to cash from operations, unused credit facilities, repayment of loans by our Chilean subsidiary, and additional funding from the Amended and Restated Facility Agreement with Conrent Invest S.A., available cash resources at March 31, 2016 are anticipated to meet the Company's working capital requirements for the next twelve months.

As of March 31, 2016, the Company had unrestricted cash of $2,158,531 and a working capital surplus of $5,328,867, compared to unrestricted cash of $4,903,045 and a working capital surplus of $7,397,132 as of September 30, 2015.

The Company used cash of $2,573,846 for investing activities during the six months ended March 31, 2016, compared to $3,816,211 of cash used in investing activities in the six months ended March 31, 2015. Cash used for investing activities was used for significant enhancements of its software platform and used for purchases of monitoring and other equipment to meet demand during the three months ended March 31, 2016.

The Company used $986,292 of cash for financing activities during the six months ended March 31, 2016, compared to $1,207,866 in cash used in the six months ended March 31, 2015. Cash used in financing activities was for principal payments applied toward a perpetual license agreement during the six months ended March 31, 2016. This monthly obligation of $187,500 per month was satisfied in February 2016.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The business extends to several countries outside the United States, and we intend to continue to expand our foreign operations. As a result, our revenues and results of operations are affected by fluctuations in currency exchange rates, interest rates, and other uncertainties inherent in doing business in more than one currency. In addition, our operations are exposed to risks that are associated with changes in social, political, and economic conditions in the foreign countries in which we operate, including changes in the laws and policies that govern foreign investment, as well as, to a lesser extent, changes in United States laws and regulations relating to foreign trade and investment.

Foreign Currency Risks

We had $5,134,577 and $2,813,722 in revenues from sources outside the United States for the six months ended March 31, 2016 and 2015, respectively. Although we typically transact the sale of monitoring equipment and services in U.S. Dollars, we do receive payments in an equivalent value of foreign currencies which resulted in foreign exchange losses of $84,557 and $374,002 during the six months ended March 31, 2016 and 2015, respectively. Changes in currency exchange rates affect the relative prices at which we sell our products and purchase goods and services. Given the uncertainty of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations, or financial condition.

We do not use foreign currency exchange contracts or derivative financial instruments for trading or speculative purposes. To the extent foreign sales become a more significant part of our business in the future, we may seek to implement strategies which make use of these or other instruments in order to minimize the effects of foreign currency exchange on our business.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to our management, including the members of our Executive Committee (our acting principal executive officers) and Chief Financial Officer (our principal financial and accounting officer), to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our Executive Committee and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Based on this evaluation, our Executive Committee and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2016.

Changes in Internal Controls

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. There was no change in our internal control over financial reporting during our quarter ended March 31, 2016 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, involved in various legal proceedings incidental to the conduct of our business. Historically, the outcome of all such legal proceedings has not, in the aggregate, had a material adverse effect on our business, financial condition, results of operations or liquidity. Other than as set forth below, there are no additional pending or threatened legal proceedings at this time.

Lazar Leybovich et al. v. SecureAlert, Inc. On March 29, 2012, Lazar Leybovich, Dovie Leybovich and Ben Leybovich filed a complaint in the 11th Circuit Court in and for Miami-Dade County, Florida alleging breach of contract with regard to certain Stock Redemption Agreements. The complaint was subsequently withdrawn by the plaintiffs. An amended complaint was filed by the plaintiffs on November 15, 2012. On May 2, 2016, the Court resolved this case in favor of the Company by granting the Company's motion for summary judgement. The court's ruling is subject to appeal.

Boggs et al. v. Judicial Electronic Monitoring, SecureAlert, Inc. et al. On March 3, 2015, Candace Boggs et al. filed a complaint in the State Court of Dougherty County, Georgia, alleging breach of contract and negligence in monitoring of certain offenders in Dougherty County, Georgia, as well as a request for punitive damages. The plaintiff withdrew their complaint as of April 11, 2016.

Larry C. Duggan v. Court Programs of Florida, Inc. and SecureAlert, Inc. On March 26, 2012, Mr. Duggan filed a complaint in the 9th Circuit Court in and for Orange County, Florida alleging malicious prosecution, abuse of process and negligent infliction of emotional distress against the Company and its subsidiary. The case resulted from actions of a former agent of the Company’s subsidiary. The Company continues to defend itself in this matter. The Company has not accrued any potential loss as the probability of incurring a material loss is deemed remote by management, after consultation with outside legal counsel.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) *Exhibits Required by Item 601 of Regulation S-K*

Exhibit Number	Title of Document
3(i)(1)	Amended and Restated Articles of Incorporation of SecureAlert, Inc., filed May 19, 2015 (incorporated by reference to our Current Report on Form 8-K, filed May 21, 2015).
3(i)(2)	Articles of Amendment to the Articles of Incorporation of Track Group, Inc., dated February 23, 2016 (incorporated by reference to our Current Report on Form 8-K, filed March 2, 2016).
3(ii)	Amended and Restated Bylaws (incorporated by reference to our Form 10-Q for the three months ended March 31, 2010).
4.01	2012 Equity Incentive Award Plan (incorporated by reference to our Definitive Proxy Statement, filed October 25, 2011).
10.1	Settlement and Royalty and Share Buy Back among Borinquen Container Corporation, Sapinda Asia Limited, and SecureAlert, effective February 4, 2013 (incorporated by reference to our Current Report on Form 8-K, filed in February 2013).
10.2	Notice of Conversion from Sapinda Asia Limited, dated September 24, 2013 (incorporated by reference to our Form 10-K for the fiscal year ended September 30, 2013).
10.3	Facility Agreement between Tetra House Pte. Ltd. and SecureAlert, Inc., dated January 3, 2014 (incorporated by reference to our Current Report on Form 8-K, filed in January 2014).
10.4	Supplemental Settlement Agreement between Satellite Tracking of People, LLC and SecureAlert, Inc., effective March 1, 2014 (incorporated by reference to our Form 10-Q for the three months ended March 31, 2015).
10.5	Amended and Restated Facility Agreement, dated June 30, 2015, by and between Track Group, Inc. and Conrent Invest S.A, acting on behalf of its compartment “Safety 2“ (incorporated by reference to our Current Report on Form 8-K, filed on July 15, 2015).
10.6	Loan Agreement, by and between Sapinda Asia Limited and Track Group, Inc., dated September 14, 2015 (incorporated by reference to our Current Report on Form 8-K, filed on September 28, 2015).
10.7	Agreement between the Virginia Department of Corrections and the Company dated September 21, 2015 (incorporated by reference to our Current Report on Form 8-K, filed on October 2, 2015).
10.8	Executive Employment Agreement, by and between Track Group, Inc. and John Merrill, dated November 20, 2014 (incorporated by reference to our Current Report on Form 8-K, filed November 25, 2014.
10.9	Loan Agreement, by and between Conrent Invest S.A., acting with respect to its Compartment Safety III, and Track Group, Inc., dated May 1, 2016 (filed herewith).
14.1	Code of Ethics (previously filed as Exhibit on Form 10-K for the fiscal year ended September 30, 2013, filed in January 2014).
21	Subsidiaries of the Registrant (previously filed as Exhibit on Form 10-K for the fiscal year ended September 30, 2013, filed in January 2014).
31(i)	Certification of Chief Executive Officer under Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
31(ii)	Certification of Chief Financial Officer under Section 302 of Sarbanes-Oxley Act of 2002 (filed herewith).
32	Certifications under Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) (filed herewith).
101.INS	XBRL INSTANCE DOCUMENT
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

SIGNATURES

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

Track Group, Inc.

Date: May 6, 2016

By: /s/ Guy Dubois
Guy Dubois, Member of Executive Committee
(Acting Principal Executive Officer)

Date: May 6, 2016

By: /s/ John R. Merrill
John R. Merrill, Chief Financial Officer
(Principal Accounting Officer)

Exhibit 10.9

LOAN AGREEMENT

between

CONRENT INVEST S.A.
acting with respect to its Compartment Safety III

as Lender

and

Track Group, Inc.

as Borrower

regarding a USD5,000,000 interest bearing loan

1 May 2016

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LOAN AGREEMENT

between

CONRENT INVEST S.A.
acting with respect to its Compartment Safety III

as Lender

and

Track Group, Inc.

as Borrower

regarding a USD5,000,000 interest bearing loan

1 May 2016

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THIS LOAN AGREEMENT is signed as of 1 May 2016 (the **Agreement**).

BETWEEN:

(1) **Conrent Invest S.A.**, a public company with limited liability incorporated as a "*société anonyme*" under the laws of the Grand Duchy of Luxembourg, having its registered office at 19, rue de Bitbourg, L-1273 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B170360, subject, as an unregulated securitisation undertaking (*société de titrisation*), to the Securitisation Act 2004 and acting in respect of its Compartment Safety III (the **Lender**).

AND

(2) **Track Group, Inc.**, a corporation incorporated under the laws of the state of Utah (USA), with its registered address at 405 S. Main Street, Suite 700 Salt Lake City, UT 84111 (USA) and registered with Utah Division of Corporations and Commercial Code under number 1270612-0142 (the **Borrower**).

The parties listed above are hereafter referred to collectively as the **Parties** and individually as a **Party**.

WHEREAS:

(A) The Borrower has requested the Lender to make available to it, at the latest on the Long Stop Date, an interest bearing loan in an aggregate principal amount of USD5.000.000 (minus the Arrangement Fee) for the Borrower's general corporate purposes.

(B) The Lender agrees to lend the amount of USD5.000.000 (minus the Arrangement Fee) to the Borrower and the Borrower accepts to borrow the amount of USD5.000.000 from the Lender, subject to the terms and conditions of which the Lender and the Borrower now wish to evidence in writing.

NOW THEREFORE, the Parties agree to the following terms and conditions:

1. DEFINITIONS AND INTERPRETATIONS

1.1 In this Agreement:

Arrangement Fee means a fixed arrangement fee of USD112.500 to be paid by the Borrower to the Lender on the Effective Date;

U.S. Bankruptcy Law means the United States Bankruptcy Code or any other United States Federal or State bankruptcy, insolvency or similar law;

Business Day means any day other than a Saturday or Sunday or general public holiday, on which banks in Luxembourg and New York are open for general business;

Compartment Safety III means the compartment called "Compartment Safety III" created by the Lender in connection with the Notes and to which the Notes have been, or will be (as the case may be), allocated (where compartment has the meaning given to this term in articles 62 *et seq* of the Securitisation Act 2004);

Effective Date means the date on which the Lender makes available the Loan Amount to the Borrower;

4

Event of Default means an event or circumstance specified as such in Clause 12 (Events of Default).

Interest means the amount to be paid by the Borrower to the Lender pursuant to Clause 5.1 (Interest);

Interest Payment Date means each of the following dates: 31 July 2016, 31 January 2017, 31 July 2017, 31 January 2018 and the Maturity Date;

Loan means the interest bearing loan made by the Lender to the Borrower in accordance with Clause 2 (Loan);

Loan Amount means USD5,000,000;

Long Stop Date means 16 May 2016;

Material Adverse Effect means a material adverse effect on:

(a) the business, prospects or financial condition of the Borrower;

(b) the ability of the Borrower to perform its obligations under this Agreement; or

(c) the validity or enforceability of this Agreement.

Maturity Date means 31 July 2018;

Notes means the notes issued or to be issued by the Lender under the Compartment Safety III to fund the Loan; and

Securitisation Act 2004 means the Luxembourg act dated 22 March 2004 on securitisation, as amended.

1.2 Titles of the clauses are only inserted for practical reference reasons and will be ignored for the interpretation of this Agreement. Terms defined in the singular shall have a correlative meaning when used in the plural and vice versa.

1.3 In this Agreement, unless the contrary intention appears, a reference to:

(a) an **authorisation** includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;

(b) a **Party** or any other person includes its successors in title, permitted assignees and permitted transferees;

(c) **USD** is a reference to the lawful currency for the time being of the United States of America; and

(d) a **Clause** or a **Sub-clause** is a reference to a clause or sub-clause of this Agreement.

2. LOAN

2.1 Subject to Sub-clause 2.4, at the request of the Borrower, the Lender will make available to the Borrower, subject to the terms and conditions of this Agreement, the Loan Amount on the Effective Date. The Parties agree that the Loan Amount will be made available by the Lender at any time between the date of this Agreement and the Long Stop Date, subject to Clause 3 below.

2.2 If the Loan Amount is not made available by the Long Stop Date, the Lender may nevertheless make the Loan Amount available at any time thereafter and will pay, irrespective of Clause 3 below, default interest in accordance with Sub-clause 5.7 below until the Effective Date. The Parties agree that, if, by 31 December 2016, the Lender has not managed (for any reason) to make available the Loan Amount to the Borrower, the Lender may terminate this Agreement, subject to the due payment of the interest due by the Lender until such termination date pursuant to Sub-clause 5.7 below.

2.3 Subject to Sub-clause 2.4, the payment of the Loan Amount shall be made by the Lender in immediately available funds to such bank account as the Borrower may notify to the Lender for this purpose by not less than five Business Days' prior notice.

2.4 The Lender shall withhold the Arrangement Fee from the Loan Amount.

3. CONDITION PRECEDENT

The obligation of the Lender to make available the Loan to the Borrower is subject to the condition precedent that on the Effective Date the Lender has received the total issuing proceeds of the USD5,000,000 fixed rate notes linked to the Loan to be issued by the Lender under Compartment Safety III.

4. PURPOSE

The Loan Amount will be used by the Borrower for general corporate purposes including but not limited to paying off existing debt, which in the reasonable opinion of the Borrower's management is in the interest of the Borrower.

5. INTEREST AND DEFAULT INTEREST

5.1 The Loan will carry a fixed interest of 8% *per annum*.

5.2 The Interest will accrue on a day-to-day basis, shall be calculated by the Lender on the basis of a year of 360 days for the number of days elapsed and will be payable semi-annually in arrear on each Interest Payment Date by the Borrower to the Lender.

5.3 The Lender shall send to the Borrower the detailed calculation of the payable accrued Interest at least ten Business Days prior to the relevant Interest Payment Date.

5.4 Any accrued but unpaid Interest may be declared payable by the Lender, whether or not on an Interest Payment Date, and shall be paid by the Borrower to the Lender. Any such payment shall first be applied against any arrears of Interest.

5.5 If the Borrower fails to pay any amount payable by it under this Agreement, it must immediately on demand by the Lender pay interest on the overdue amount from its due date up to the date of actual payment, both before, on and after judgment.

5.6 Interest on an overdue amount by the Borrower is payable at a rate of 12% per annum.

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5.7 If the Effective Date does not occur at any time on or before the Long Stop Date, the Lender will pay to the Borrower interest on the Loan Amount at a rate of 12% *per annum* until such date on which the Effective Date occurs or this Agreement is terminated pursuant to Sub-clause 2.2.

6. REPAYMENT

Subject to Clause 7 (Voluntary Prepayment), the Borrower will repay the outstanding principal amount of the Loan with any accrued but unpaid Interest in its entirety on the Maturity Date.

7. VOLUNTARY PREPAYMENT

The Borrower can prepay all or part of the outstanding principal amount of the Loan in multiples of USD200,000 (or less if the outstanding principal amount under the Loan is less than USD200,000 at any given time) with the Interest accrued but unpaid at any moment without penalty and without limitation on condition that:

(a) the Borrower has given 20 calendar days prior written notice to the Lender of its intention to effect a prepayment, specifying the amount to be prepaid and attaching documentation evidencing that the necessary authorisations for such a prepayment have been or will be obtained; and

(b) any prepayment shall be allocated first to any accrued but unpaid Interest and second to the outstanding principal amount under the Loan or, at the request of the Borrower, by priority to the accrued but unpaid Interest.

8. PAYMENTS

8.1 All payments by the Borrower pursuant to this Agreement and in particular every payment of Interest pursuant to Clause 4 (Interest) or repayment pursuant to Clause 6 (Repayment) or prepayment pursuant to Clause 7 (Voluntary Prepayment), will be made on the due date in USD in immediately available funds to such bank account as the Lender may notify to the Borrower for this purpose by not less than five Business Days' prior notice to the relevant payment date.

8.2 Payment of the amount of interest due by the Lender to the Borrower pursuant to Sub-clause 5.7 (if applicable) may be made by the Lender on the Effective Date (or the termination date) in USD in immediately available funds to such bank account as the Borrower may notify to the Lender for this purpose by not less than five Business Days' prior notice to the relevant payment date.

8.3 If a sum becomes due under this Agreement on a day that is not a Business Day, the payment date will be postponed to the next Business Day.

9. REPRESENTATIONS AND WARRANTIES

9.1 Representations and warranties of the Borrower

The representations and warranties set out in the Sub-clauses 9.2 through 9.11 are made by the Borrower to the Lender.

9.2 Status

It is a corporation, duly incorporated and validly existing and in good standing under the laws of its jurisdiction of incorporation.

It has the power to own its assets and carry on its business as it is being conducted.

9.3 **Powers and authority**

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, this Agreement.

9.4 **Legal validity**

Subject to any general principles of law limiting its obligations this Agreement is a legally binding, valid and enforceable obligation of the Borrower.

9.5 **Non-conflict**

The entry into and performance by it of, and the transactions contemplated by, this Agreement do not conflict with:

(a) any law or regulation applicable to it;

(b) its constitutional documents; or

(c) any document which is binding upon it or any of its assets.

9.6 **No default**

No Event of Default is outstanding or will result from the entry into of, or the performance of any transaction contemplated by this Agreement.

No other event or circumstance is outstanding which constitutes a default under any document which is binding on it or any of its assets to an extent or in a manner which has or is reasonably likely to have a Material Adverse Effect on this Agreement.

9.7 **Authorisations**

All authorisations required by it in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement have been obtained or effected (as appropriate) and are in full force and effect.

9.8 **Financial statements**

Its unaudited Quarterly Reports on Form 10-Q or audited consolidated financial statements reported in its Annual Report on Form 10-K are available to the Lender and:

(a) have been prepared in accordance with US GAAP, consistently applied; and

(b) give a true and fair view of its consolidated financial condition as at the date to which they were drawn up, except, in each case, as disclosed to the contrary in those financial statements.

9.9 **No material adverse change**

There has been no material adverse change in its consolidated financial condition since the date to which the financial statements referred to in Clause 9.8 (Financial Statements) were drawn up.

9.10 **Litigation**

Other than litigation, arbitration or administrative proceedings disclosed in its Annual Report on Form 10-K or Quarterly Reports on Form 10-Q, no litigation, arbitration or administrative proceedings against the Borrower have been started or, to its knowledge, threatened, which have or, if adversely determined, are reasonably likely to have a Material Adverse Effect on this Agreement.

9.11 **United States laws**

(a) it is not a public utility or subject to regulation under the United States Federal Power Act of 1920;

(b) it is not required to be registered as an investment company or subject to regulation under the United States Investment Company Act of 1940;

(c) it is not subject to regulation under any United States Federal or State law or regulation that limits its ability to incur or guarantee indebtedness;

(d) the aggregate amount of its debts (including its obligations under this Agreement) is less than the aggregate value (being the lesser of fair valuation and present fair saleable value) of its assets;

(e) its capital is not unreasonably small to carry on its business as it is being conducted;

(f) it has not incurred and does not intend to incur debts beyond its ability to pay as they mature; and

(g) it has not made a transfer or incurred any obligation under this Agreement with the intent to hinder, delay or defraud any of its present or future creditors.

In this Sub-clause 9.11 (United States laws):

fraudulent transfer law means any applicable United States bankruptcy and State fraudulent transfer and conveyance statute and any related case law;

investment company has the meaning given to it in the United States Investment Company Act of 1940; and

public utility has the meaning given to it in the United States Federal Power Act of 1920.

Terms used in this Sub-clause 9.11 (United States laws) are to be construed in accordance with the fraudulent transfer laws.

9.12 **Times for making representations and warranties**

The representations and warranties set out in Sub-clauses 9.2 through 9.11 are made by the Borrower on the date of this Agreement and on the Effective Date.

9.13 **Representations and warranties of the Lender**

The representations and warranties set out in Sub-clauses 9.14 through 9.20 are made by the Lender to the Borrower.

9.14 Status

It is a public limited liability company (*société anonyme*) duly incorporated and validly existing under the laws of the Grand Duchy of Luxembourg.

9.15 Powers and authority

It has the power to enter into and perform, and has taken all necessary action to authorise the entry into and performance of, this Agreement.

9.16 Legal validity

Subject to any mandatory law provisions limiting its obligations, this Agreement is a legally binding, valid and enforceable obligation of the Lender.

9.17 Non-conflict

Subject to any mandatory law provisions limiting its obligations, the entry into and performance by it of, and the transactions contemplated by, this Agreement do not conflict with:

(a) any law or regulation applicable to it;

(b) its articles of incorporation (*statuts*); or

(c) any document which is binding upon it or any of its assets.

9.18 Authorisations and availability of funds

All authorisations required by it in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by this Agreement have been obtained or effected (as appropriate) and are in full force and effect.

9.19 No affiliate

The Loan Amount is not being supplied by, originating from or passing through an "affiliate" of the Borrower as defined under the United States Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

9.20 Times for making representations and warranties

The representations and warranties set out in Sub-clauses 9.14 through 9.19 are made by the Lender on the date of this Agreement and on the Effective Date.

10. UNDERTAKINGS

The Borrower may not:

(a) extend credit for the purpose, directly or indirectly, of buying or carrying Margin Stock; or

(b) use the Loan, directly or indirectly, to buy or carry Margin Stock or for any other purpose in violation of the Margin Regulations.

In this Clause 10 (Undertakings), **Margin Regulations** means Regulations T, U and X issued by the Board of Governors of the United States Federal Reserve System and **Margin Stock** means "margin stock" or "margin securities" as defined in the Margin Regulations.

11. TAX GROSS-UP AND INDEMNITIES

11.1 All payments by the Borrower under this Agreement shall be made without any deduction for or on account of any taxes except to the extent that the Borrower is required by law to make payments subject to any taxes. If any tax or amount in respect of tax must be deducted, or any other deductions must be made, from any amounts payable or paid by the Borrower pursuant to this Agreement, the Borrower shall pay such additional amounts as may be necessary to ensure that the Lender receives a net amount equal to the full amount which it would have received had payment not been made subject to tax or any other deduction.

11.2 If the Borrower makes a payment under Sub-clause 11.1 above and the Lender determines that a credit against any tax or any relief or remission for or rebate of tax (or its repayment) is attributable to that payment and it has used and retained such tax credit, relief or remission for or rebate of tax, the Lender must pay an amount to the Borrower which it determines will leave it (after that payment) in the same after-tax position as it would have been if the payment of tax under Sub-clause 11.1 above had not been required to be made by the Borrower.

11.3 The Lender will not be liable for any losses arising in connection with the exercise or purported exercise of any of its rights, powers and discretions under this Agreement or the enforcement of the Agreement, unless that liability arises as a result of the Lender's gross negligence or wilful misconduct.

12. EVENTS OF DEFAULT

12.1 Events of Default

Each of the events or circumstances set out in the Sub-clauses 12.2 through 12.6 is an **Event of Default**.

12.2 Non-payment

The Borrower does not pay on the due date any amount payable by it under this Agreement in the manner required under this Agreement, unless the non-payment is caused by technical or administrative error and is remedied within three Business Days of the due date.

12.3 Misrepresentation

A representation or warranty made or deemed to be repeated by the Borrower under Clause 9 is incorrect or misleading in any material respect when made.

12.4 Insolvency

Any of the following occurs in respect of the Borrower:

(a) it makes a general assignment for the benefit of creditors;

(b) it commences a voluntary case or proceeding under any U.S. Bankruptcy Law;

(c) it is, or is deemed for the purposes of any applicable law to be, unable to pay its debts as they fall due or insolvent;

(d) it admits its inability to pay its debts as they fall due;

(e) it suspends making payments on any of its debts or announces an intention to do so;

(f) by reason of actual or anticipated financial difficulties, it begins negotiations with any creditor for the rescheduling or restructuring of any of its indebtedness; or

(g) any of its indebtedness is subject to a moratorium.

12.5 **Insolvency proceedings**

Except as provided below, any of the following occurs in respect of the Borrower:

(a) an involuntary case under any U.S. Bankruptcy Law is commenced against it and is not controverted within 30 days or is not dismissed or stayed within 90 days after commencement of the case;

(b) an order for relief or other order approving any case or proceeding is entered under any U.S. Bankruptcy Law any step is taken with a view to the suspension of payments, a moratorium or a composition, compromise, assignment or similar arrangement with any of its creditors;

(c) a meeting of its shareholders, directors or other officers is convened for the purpose of considering any resolution for, to petition for or to file documents with a court or any registrar for, its winding-up, administration or dissolution or any such resolution is passed;

(d) any person presents a petition, or files documents with a court or any registrar, for its winding-up, administration or dissolution;

(e) any security interest is enforced over any of its assets;

(f) an order for its winding-up, administration, dissolution or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) is made;

(g) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer is appointed in respect of it or any of its assets;

(h) its shareholders, directors or other officers request the appointment of, or give notice of their intention to appoint, a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer; or

(i) any other analogous step or procedure is taken in any jurisdiction.

Paragraph (a) above does not apply to a petition for winding-up presented by a creditor which is being contested in good faith and with due diligence and is discharged or struck out within 14 days.

12.6 **Material adverse change**

Any event or series of events occurs which, in the opinion of the Lender, has or is reasonably likely to have a Material Adverse Effect on this Agreement.

12.7 **Acceleration**

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If an Event of Default described in Sub-clauses 12.4(a), 12.4(b), 12.5(a) or 12.5(b) occurs, all amounts outstanding under this Agreement will be immediately and automatically due and payable, without the requirement of notice or any other formality.

If an Event of Default, other than as described in the above paragraph, is outstanding, the Lender may, by notice to the Borrower declare that all or part of any amounts outstanding under this Agreement are:

(a) immediately due and payable; and/or

(b) payable on demand by the Lender.

Any notice given under this Sub-clause 12.7 (Acceleration) will take effect in accordance with its terms.

13. ASSIGNMENTS AND TRANSFERS

13.1 Assignments and transfers by the Borrower

The Borrower may not assign or transfer any of its rights and obligations under this Agreement without the prior consent of the Lender.

13.2 Assignments and transfers by the Lender

The Lender may at any time assign or transfer (including by way of novation) any of its rights and obligations under this Agreement to any other person.

14. NOTICES

14.1 All notices or other communications under or in connection with this Agreement (which includes fax and email) shall be given in writing and may be (i) delivered in person by post to the other Party at its address appearing below or (ii) sent by fax or e-mail to the addresses mentioned below.

14.2 Notices will be addressed:

(a) if to the Lender to:

Conrent Invest S.A.
Acting in respect of its Compartment Safety III
19, rue de Bitbourg
L-1273 Luxembourg

Fax number: +352 26 36 45 21

E-mail : 608@arendtservices.com

or at such other address or number as the Lender may hereafter designate by notice to the other Party.

(b) if to the Borrower to:

Track Group, Inc.
405 S. Main Street, Suite 700
Salt Lake City, UT 84111 (USA)

Phone number: +1 866 451 6141

E-Mail : john.merrill@trackgrp.com

or at such other address or number as the Borrower may hereafter designate by notice to the other Party.

13.3 Any notice or other communication shall be deemed to have been given:

- if delivered in person, at the time of delivery:

- if sent by post, at 10.00 a.m. on the second Business Day after it was put into the post: or

- if sent by fax or e-mail, on the date of transmission. if transmitted before 3.00 p.m. (local time at the place of destination) on any Business Day and in any other case on the Business Day following the date of transmission.

13.4 In proving the giving of a notice or other communication, it shall be sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted or that the fax or the e-mail was properly addressed and transmitted, as the case may be.

13.5 This Clause 14 (Notices) shall not apply in relation to the service of any claim form, notice, order, judgment or other document relating to or in connection with any proceedings, suit or action arising out of or in connection with this Agreement.

15. COSTS - TAXES

15.1 All judicial costs and expenses arising in connection with a judicial claim in relation to this Agreement will be paid by the Party that fails in this action. All other costs and expenses arising in connection with the preservation or enforcement of this Agreement shall be borne by the Borrower.

15.2 All stamp duties, registration duties or other taxes and duties imposed by any authority pursuant to this Agreement will be paid by the Party that has required to proceed to the registration, except within the context of a lawsuit where the duties related to the registration will be borne by the Party that fails.

16. MISCELLANEOUS

16.1 The observation of time limits and expiry dates is an essential element of this Agreement, but the delay or default by either party in exercising any power or right resulting from this Agreement shall not operate as a waiver by such party of such a power or right. In the same way, the sole or partial exercise of a power or a right resulting from this Agreement will not be able to prevent exercising this power or right in the future or the exercise of another power or right. The powers or rights conferred to the respective parties by this Agreement are cumulative and do not exclude the rights and duties conferred to the Lender by law.

16.2 In case any provision of this Agreement is invalid, illegal or inapplicable under any applicable law, the validity, the legality and applicability of the other provisions concerned will not be affected.

16.3 Any term, provision, covenant, agreement or condition of this Agreement may be amended or modified, or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively), by one or more substantially concurrent written instruments signed by all the Parties.

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16.4 This Agreement may be executed in any number of counterparts each of which shall be an original, but all of which together shall constitute one instrument.

16.5 All payments made by the Borrower under this Agreement will be made without set-off or counterclaim.

17. SECURITISATION ACT 2004

The Borrower expressly acknowledges and accepts, and will be deemed to have accepted and acknowledged, that the Lender (i) is subject to the Securitisation Act 2004 and (ii) has created the Compartment Safety III in respect of the Notes to which all assets, rights, claims and agreements relating to the Notes will be allocated. Furthermore, the Borrower acknowledges and accepts that it has only recourse to the assets of the Compartment Safety III and not to the assets allocated to any other compartments created by the Lender or any other assets of the Lender. The Borrower acknowledges and accepts that once all the assets allocated to the Compartment Safety III have been realised, it is not entitled to take any further steps against the Lender to recover any further sums due and the right to receive any such sum shall be extinguished. The Borrower accepts not to attach or otherwise seize the assets of the Lender allocated to the Compartment Safety III or to other compartments of the Lender or other assets of the Lender. The Borrower shall not be entitled to petition or take any other step for the winding-up, the liquidation or the bankruptcy of the Lender or any similar insolvency related proceedings. This Clause 17 (Securitisation Act 2004) shall prevail over all other provisions of this Agreement which would be conflicting with the provisions of this Clause 17 (Securitisation Act 2004).

18. APPLICABLE LAW AND ARBITRATION

18.1 This Agreement shall be governed by and construed in accordance with the laws of the Grand-Duchy of Luxembourg.

18.2 All disputes arising out of or in connection with this Agreement shall be finally settled by arbitration administered by the International Centre for Dispute Resolution in accordance with its rules on International Arbitration.

The number of arbitrators shall be one and the seat of the arbitration shall be New York City, New York.

The arbitration shall be conducted in English.

The applicable rules of law are the laws of Luxembourg.

19. USA PATRIOT ACT

The Lender and any successor or assignee in accordance with Sub-clause 13.2 (Assignments and transfers by the Lender) that is subject to the requirements of the USA Patriot Act hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such lender to identify the Borrower in accordance with the USA Patriot Act. The Borrower agrees that it will provide the Lender and any successor or assignee with such information as it may request in order for such lender to satisfy the requirements of the USA Patriot Act.

AS WITNESS this Agreement has been signed by the Parties on the date stated at the beginning of this Agreement.

SIGNATORIES

The Borrower

By: Guy Dubois
Title: Chairman

The Lender

By: B. Schmitz
Title: A - Director

By: Laetitia Antoine
Title: B-director.

EXHIBIT 31 (i)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Guy Dubois, Member of the Executive Committee, presently the acting principal executive officer of Track Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Track Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) 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 three months (the registrant's fourth three months 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: May 6, 2016

/s/ Guy Dubois
Guy Dubois, Member of Executive Committee
(Acting Principal Executive Officer)

EXHIBIT 31 (ii)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John R. Merrill, Chief Financial Officer, Principal Financial Officer, of Track Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Track Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) 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: May 6, 2016

/s/ John R. Merrill
John R. Merrill
Chief Financial & Principal Accounting Officer

EXHIBIT 32

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

In connection with the Quarterly Report of Track Group, Inc. (the "*Company*") on Form 10-Q for the period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), Guy Dubois, member of the Executive Committee, Acting Principal Executive Officer and John R. Merrill, Chief Financial Officer, Principal Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Sec.1350, as adopted pursuant to Sec.906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Guy Dubois
Guy Dubois, Member of Executive Committee
(Acting Principal Executive Officer)

By: /s/ John R. Merrill
John R. Merrill,
Chief Financial Officer
(Principal Accounting Officer)

Date: May 6, 2016