

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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Boomerang Systems, Inc.

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

FORM 10-K

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

For the fiscal year ended September 30, 2012

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 0-10176

BOOMERANG SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

22-2306487
(I.R.S Employer Identification No.)

30 B Vreeland Rd
Florham Park, New Jersey
(Address of principal executive offices)

07932
(zip code)

Registrant's telephone number, including area code (973) 538-1194

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.001 par value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ **No** ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ **No** ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and ask price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter. \$14,596,435 as of March 31, 2012

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date: 7,559,694 as of January 11, 2013

Item 1. Business.

Background and General Activities

Background

Our company, Boomerang Systems, Inc, is engaged in the business of marketing, designing, engineering, manufacturing, installing and servicing its own line of fully automated parking systems and fully automated self storage systems, with corporate and sales offices in Florham Park, New Jersey, and a research, design, production and testing center in Logan, Utah.

Boomerang entered the business of automation by developing and marketing automated self-storage systems to provide the space efficiency, security, and convenience of 100% “drive-up accessible” vertical self-storage in densely populated urban locations with high real estate values. This system, which we refer to as Boomerang’s Automated Locker Retrieval System or ALRS, stores steel storage containers in a steel rack system with a central open atrium and shuttles that move along a rail (i.e., “rack & rail”) transport containers back and forth between storage locations and ground floor loading bays.

While promoting our self storage system, we received numerous inquiries to provide space-saving automated parking systems. In 2007, we began to develop automated parking systems or APSs, to expand our product line and enter that business. While we believe the automated self-storage has significant potential, we believe the demand for automated parking systems is substantially larger.

To serve this market, we have developed two automated parking product lines, which we refer to as “rack & rail” systems and “RoboticValet®” systems. While our rack & rail systems compete with other rail or track based automated parking systems offered by other automated parking providers, we believe that our RoboticValet system is unique in the marketplace with distinct advantages over other systems historically offered by competitors.

Boomerang has the rights to various trademarks, trade names or service marks used in its business, including RoboticValet and TrafficMaster™. In addition, we have filed patent applications with respect to certain aspects of our automated parking and self-storage systems. To date we have been awarded a patent on our automated self-storage system and two patents on subsystems for our RoboticValet system.

General Activities

Since we entered the business of automation in 2007, we have manufactured and implemented eleven systems. Six of these systems were developed as prototypes at our testing center in Utah. The first of these test systems was an automated self-storage system. The next three were rack & rail automated parking systems, and the next two were RoboticValet parking systems. While these test systems have not generated any revenue for our company, we believe the development of these systems has been instrumental in advancing our understanding of the business, our proprietary technology and our implementation capabilities. In addition, being able to demonstrate these systems to prospective customers has proven useful in advancing our sales efforts.

The other five systems that we have manufactured were built for commercial use. Two of these systems were installed for third parties in 2008. The first system is a fully automated self storage facility installed in New Kensington, a suburb of Pittsburgh, PA for a self storage operator with multiple locations in the greater Pittsburgh area. The facility is a six level high steel rack system that houses 110 self storage containers, 60 of which are partitioned, so there are actually 170 leasable units in the system. Storage units in the system are retrieved and delivered automatically to one of five drive up accessible loading bays when requested by tenants via a kiosk adjacent to the loading bay or remotely via an access control panel upon the tenant entering the property. Following the opening of this facility in Pennsylvania, we are aware of two automated self-storage facilities being implemented by a competitor.

The second system installed for a commercial use in 2008 was a rack & rail automated parking system installed in San Juan del Rio, Queretaro, Mexico. This six level system has the capacity to store eleven vehicles which can be retrieved to a ground floor loading bay via a kiosk. The system is used by the customer for employee parking.

The third system in commercial use is an APS, installed at the Crystal Springs Golf & Spa Resort complex in Sussex County, NJ on property owned by Route 94 Development Corporation. Route 94 Development Corporation is principally owned by Gail Mulvihill, who also has a substantial ownership interest in Boomerang and is the mother of Christopher Mulvihill, our President. The structure housing this system was built in fiscal 2010 and the RoboticValet system was installed within the structure in fiscal 2011. Implementation of this system has not and will not produce any revenue for us, however, we have the right to bring prospective customers to the site to demonstrate the system to them. While we have been able to demonstrate our RoboticValet technology at our test facility in Utah, we believe that having this pilot facility installed and operational provides prospective buyers a more substantial validation of the viability of our RoboticValet system, since it serves as a demonstration of the RoboticValet system used in a commercial application. This facility also provides a more convenient demonstration location for prospective customers located on the East Coast. This two level system is designed to store up to 39 vehicles, with two ground level loading bays from which resort employees can store and retrieve vehicles. We received the Certificate of Occupancy for this facility on October 3, 2011.

Our fourth commercial APS implementation is an eight level rack and rail system in Miami Beach, Florida, with a maximum storage capacity of 139 vehicles. The equipment has been installed and the system has been used in commercial operations since September 2012. We continue to optimize the system and are currently negotiating with the customer regarding final modifications to increase throughput and system capacity.

Our fifth commercial APS implementation is a two level rack and rail system we installed in a museum in Stuart, Florida, where it is expected to be used to display a collection of up to 55 antique cars. In December 2012, the customer accepted the system as substantially complete.

The aggregate gross revenue from the rack and rail systems in Miami Beach and Stuart was approximately \$3,250,000 through the fiscal year ended September 30, 2012, and the estimated remaining revenue to be recognized under these two contracts is \$575,000.

We have also entered into an agreement to design and deliver an ALRS (Automated Locker Retrieval System) to accommodate up to 38,304 rentable square feet of self storage space in British Columbia, Canada.

We have also entered into contracts to design and deliver 12 additional RoboticValet Parking Systems which we have not yet begun to install, for an aggregate of 4,056 parking spaces, with an aggregate estimated potential contract value of approximately \$47.7 million.

We are in the process of designing these systems which are currently under contract, for which we have received or will receive an agreed upon fee, typically representing a small percentage of the estimated potential contract value, subject to increase for additional agreed upon work. Each agreement contemplates that during the design period, we will negotiate a detailed agreement with the customer or customer's general contractor which will further define the deliverables, items related to the system to be provided by the customer and final design of the system. Following the design period and execution of a detailed agreement, we would commence fabrication and installation of the agreed upon system. The agreements provide that we receive installment payments upon achievement of certain contract milestones. Each agreement provides that (i) the customer may terminate the contract during the design period if the parties do not agree on certain details, a detailed agreement is not executed, potential adjustments to the purchase price are not agreed upon, the customer determines that it is not practical to secure financing for its project incorporating our system or the customer is not satisfied with our ability to perform or (ii) the implementation period would not begin until certain conditions are met, including, receipt of all necessary permits and execution of a detailed agreement. If the customer terminates the agreement as permitted, a detailed agreement is not executed, or the other conditions to implementation are not met, we are only entitled to receive the design fee and fees for any other work authorized in writing.

The estimated potential contract value represents the contracted purchase price for the delivered system assuming the system is completed and installed as originally quoted, subject to adjustment in a detailed agreement. Each of these projects and other projects for which we contract, is expected to be completed over a lengthy period of time, two years or longer in most cases. As a result, in the near term we have received or will receive the design fee, which represents only a small portion of the estimated potential contract value. We would only receive the substantial majority of the estimated potential contract value to the extent the conditions for implementation are met and we meet the milestones for payment specified in the contract. To the extent that we do not enter into a detailed agreement with any such customer, we will not receive any revenue under that contract, other than the agreed upon design fees.

At this time it is difficult to project when each of these contracted projects will move forward and at what pace, because with each of these projects, the parking system is just one aspect of an overall larger project such as an apartment building or hotel, and there are many factors outside our control that can affect the timing of when we are able to implement our system for our customer,

It is also possible that in the course of designing and engineering the system, we determine that we had previously underestimated the scope of the customer's requirements. In such a situation, it is possible that we might not be able to negotiate an alternate solution and price with our customer which might, in turn, result in a termination of our contract.

Based upon the most current information provided by our customers regarding construction scheduling on their projects, we expect to commence manufacturing for five additional projects in calendar year 2013.

Revenue on these projects will be recognized on a percentage of completion basis.

Generally, our agreements with customers provide that:

- our customers will purchase deliverables from us, consisting of equipment/materials and services, which, when combined, result in a system that will be constructed to perform to certain specified criteria;
- delivery of a working system is contingent upon a customer providing materials and services for which we were not contracted to provide, in accordance with our specifications;
- typically, we receive up front design fees before we commence design and engineering services;
- the customer makes a series of progress payments to us as materials are fabricated, delivered, installed and tested, with final payment typically being due 30 days following acceptance of the system by the customer;
- the customer has the ability to terminate the contract if it is unable to obtain the necessary financing or approvals or if there are material changes to the estimate we provided. If the customer terminates a contract, it must make any progress payments due through the date of termination;
- we typically provide a one-year warranty and, for a recurring monthly fee, an optional ongoing maintenance and service plan; and
- confidentiality agreements exist prohibiting our customers from sharing any of our proprietary information.

Benefits of Automated Parking Systems

Even though conventional structured parking garages (also known as multi-level parking, parking decks, parking garages, or parking ramps) are used extensively in densely populated areas to minimize the amount of land consumed by parking, the three dimensional space consumed by these structures still has a significant impact on the urban landscape. An alternative to these conventional parking structures is automated parking systems or APS, which use machinery controlled by computers to automatically park vehicles in a structure without a human driver.

We have developed a proprietary APS that we believe has the potential to yield many benefits to real estate developers, consumers and society in general including the following:

Maximum Parking Density – By using tandem parking, eliminating the ramps, circulation driveways and passenger lifts typical in self park garages, our APS consume significantly less space per vehicle than conventional self park garages, especially in cases of small or irregularly shaped sites. While valet parking services can also be used to attain density in parking garages, valet labor can be expensive and undesirable for a number of reasons. The increase in density from APS is attractive to real estate developers who wish to minimize the impact of parking on their project such that they can reduce the cost of excavation for underground garages or, in the case of above ground garages, reduce the amount of space required for parking that could otherwise be used for other revenue producing purposes.

Improved Parking Experience – Unlike self-park garages where parkers must hunt for a convenient space, remember where they parked, and risk the possibility of damage to their vehicles, users of APS park and retrieve their car from the same spacious parking bays conveniently located near the building's access points. The experience is similar to the convenience of a valet garage, but allows the drivers to lock their car and retain their keys, allowing them to maintain privacy, while reducing the risk of theft or damage that may occur by leaving their car in the hands of a stranger.

Fraud Prevention – Parking is a significant source of income in urban development projects, and parking garage operators are often one of the largest tenants in the buildings they serve. With cash being handled by the operator and their employees, fraud can be a concern. Whether the employee is under reporting income to the operator, or the operator is under reporting to the developer, there are opportunities for loss and exposure that could prevent developers from realizing the full value of their parking assets. Installing an APS can mitigate this issue by creating a record of every parking transaction, thereby exposing fraud.

Lower Insurance Premiums – Parking garages often pay high insurance premiums because of the disproportionately high number of claims for accidents, vandalism, theft, and personal injury that occur in parking garages. We believe that the elimination of human occupancy inside the parking facility greatly mitigates these risks and should result in lower insurance premiums.

Environmentally Friendly – Because vehicles are shut off before they are parked, there are no carbon emissions generated in an APS, and in the case of enclosed garages, significantly less electricity is required for ventilation. In addition, due to the space efficient nature of APS, significantly less materials are used in construction. Additionally, the robots used in the garage do not require lights to see, reducing the amount of electricity used.

Faster Construction Time – We believe that using an automated parking garage can shorten a project's construction timeline leading to lower borrowing costs and earning rent several months earlier. This is especially the case when an APS is installed below ground because the increased density of an APS allows for elimination of the lowest basements, which are the most time consuming and costly to build.

Market Adoption – It is our belief that these benefits listed above are evidenced by the widespread adoption of other APS in certain parts of Europe and Asia. However, it should be noted that the U.S. market has been slow to adopt these types of systems. While the number of these systems being built in the U.S. increased in recent years, we believe the market has not realized its full potential due to a lack of a reliable domestic supplier and due to the limitations of legacy systems as outlined below.

Limitations of Legacy APS – Rail and Track-based Systems

Prior to developing our flagship product, the Boomerang RoboticValet APS, we studied the existing APS market. Our meetings with real estate developers, architects, parking garage design consultants, traffic engineers, general contractors, parking operators and building and fire code officials led us to believe that despite all the potential benefits these systems could offer, the market for existing rail and track based APS technology was limited, for four primary reasons:

Redundancy Concerns – Because the machinery in a rack or track based APS system travels on a rail through the center of the structure, a breakdown of machinery could result in the entire system or a large portion of the system becoming largely incapacitated until such time that the machinery can be fixed. In our experience, the possibility of such a single point of failure represents a significant risk that most real estate developers, operators and financial backers are not willing to take.

Throughput Concerns – Use of a central rail for the transport of machinery results in a system in which, on any given level, one piece of machinery cannot navigate past another. This results in traffic bottlenecks which limit the number of simultaneous transactions that can be processed within the system. We believe this limitation has been a major concern of traffic engineers, parking design consultants and operators who need to confirm that the system is capable of handling the inbound and outbound traffic they project will be generated during peak hours of operation.

Fire & Life Safety Concerns – Typical rack & rail systems require a floor-to-ceiling atrium in the center of the structure to accommodate retrieval machinery. We believe building and fire officials have concerns that this floor-to-ceiling atrium results in a lack of fire separation between levels as well as a falling hazard to fire and life safety personnel in the event they need to gain access to a burning car. Attempts to mitigate the fire safety issues by adding catwalks, grating, and fire-proof coatings to the steel rack create engineering and operational challenges, and can make it cost prohibitive to use rack & rail systems.

Specialty Construction Concerns – While many architects, engineers, contractors and parking design consultants have experience with conventional solid concrete slab garage structures, relatively few of these professionals have experience in the design, engineering or construction of specialized steel rack structures or concrete shelf structures required to house a rail based automated parking system. We believe many real estate developers are concerned that they cannot properly source these specialized structures to local professionals and would prefer that the structure be sourced through the APS provider. We believe this poses a problem for APS providers, because it forces them to be involved in the business of sourcing the structures to house their systems. We do not believe that is a scalable business model, since local building conditions may vary considerably from market to market and requires the manufacturer to maintain a physical presence in or near each market it intends to enter.

Boomerang Product Lines

Boomerang's RoboticValet System

Our flagship line is the Boomerang RoboticValet System. The key component to this system is our RoboticValet, an omni-directional, battery-powered robot that carries vehicles parked on self-supporting galvanized steel trays to and from storage spaces by driving directly on a concrete slab surface without a rail. Unlike the machinery in our Rack & Rail based systems, the RoboticValet can travel in any direction anywhere in the garage, including underneath rows of parked vehicles.

The three key design modifications, which we believe provide the enhanced functionality that makes the RoboticValet unique are:

Solid Concrete Slab Construction Instead Of Custom Steel Racking

- Fire fighter access is easier and safer due to elimination of the open atrium;
- Acceptable and cost-effective fire separation between floors;
- Maintenance personnel can service equipment without needing a safety harness to service equipment;
- Concrete is stronger, safer, easier to engineer, and can be competitively bid in local markets; and

Allows symbiotic relationship with industry players (No need for a design/build contract) such as local architects,

- structural engineers and contractors who can participate in the process by sourcing the structure required to house the system.

Omni-Directional Robots Instead Of Rail-Based Mechanisms

- Provide redundancy through multiple paths of travel that can't be achieved in a central rail system; and
- Eliminate single point of failure and system down conditions. A disabled robot can be pushed into an empty parking space to be serviced while allowing the system to remain operational.
- Navigate through large & irregularly shaped garages;
- Move from floor-to-floor to react to demand spikes;
- Avoid creating bottlenecks in high traffic areas;
- Attain a higher throughput than a rail based system with less equipment;

Self-Supporting Stacking Steel Trays Instead Of Lifting Vehicles By Tires

- Robots can move freely underneath parked vehicles to avoid bottlenecks
- Multiple lanes of lateral movement eliminate single points of failure that can block traffic in the facility;
- Vehicles lifted and moved without touching the vehicle;
- Less likely to cause flat tires than systems that pick vehicles up by the tire, and fewer complications from packed snow, mud flaps, and dangling mufflers; and
- Stacking five or more trays eliminates the need to return empty trays each time a car exits.

In 2011, we installed a RoboticValet system at Crystal Springs Resort in Hamburg, NJ.

Mechanical Parking Systems

As described below, in February 2012, Boomerang entered into a joint venture with Stokes Industries to provide mechanical parking to select customers where a fully automated parking system may not be the optimal solution for a particular project. Mechanical parking systems include cantilevers, four-post and no-post stacking systems, and lift-slide systems.

Boomerang's Rack & Rail Automated Parking Systems

Prior to developing our RoboticValet product, Boomerang developed a rack and rail based system, and while we believe the market for this product is limited, we continue to offer it in certain situations. We refer to this system as our "Rack & Rail" line since these systems store vehicles in a steel rack structure. We developed our Rack & Rail parking system based on our self-storage technology. We believe these systems are substantially similar to other competing rail or track based systems already on the market. While our rack & rail technology does not adequately address the four concerns listed above, we believe that rack and rail systems provide the advantages of APS systems generally. We also believe we have an advantage in the United States over foreign producers of rail based APSs, because their solutions may have to be imported or licensed from foreign countries. In addition to test systems that we have installed at our factory in Logan, Utah, to date we have installed rack and rail APSs in Mexico, Miami Beach, Florida and Stuart, Florida.

Boomerang's Automated Locker Retrieval System

In order to serve the self-storage market, Boomerang has developed an ALRS that is a fully automated robotic self-storage system, and we received a US patent on this system in 2012. This system allows self storage developers to build vertically while keeping every rentable unit accessible to tenants from the ground floor. Our ALRS stores steel storage containers in a steel rack with a central open atrium, where machinery moving along a rail transports containers between storage locations in a steel rack and ground floor access bays. Containers are stored and retrieved by tenants via an authorized access code entered at a kiosk adjacent to drive-up accessible loading bays located on grade. We believe that self-storage developers can maximize revenue with this system because the system can yield more rentable space through greater three dimensional density and higher rental rates, since tenants are provided a more convenient and secure experience. We also believe that facility owners can streamline operations by significantly reducing the amount of common area that must be monitored and maintained and by having greater ability to monitor transactions, reduce fraud and to automatically lock out tenants past due on rent.

In 2008, we installed an ALRS in New Kensington, Pennsylvania. Since the economic downturn, the amount of self-storage development in the US has been limited relative to historic trends, and currently we are not focused on this market, however, we believe that if development of self-storage projects increases in the future that this market could represent a revenue opportunity for the Company.

Marketing

We employ four full-time salespeople and one full-time support person. In addition, we retain independent representatives to market our system. We have also retained consultants to assist us with new contracting opportunities in the United States and abroad. These consultants will typically receive a fee equal to a percentage of any monies received by the Company on a particular project.

Our marketing activities are principally directed at identifying and understanding potential customers and markets and educating government agencies, architects, engineers, and contractors, as well as potential customers about our products and services. We are currently focused on markets in the United States and to a lesser extent, Abu Dhabi, United Arab Emirates as well as elsewhere in the Middle East and India. We target the following markets: residential apartments and condominiums, office complexes, car dealerships, public garages, hospitals, casinos, hotels, airports, service facilities and universities.

We utilize the RoboticValet demonstration unit in our manufacturing facility in Logan, Utah to demonstrate the capabilities of our system to potential customers. In addition, the small RoboticValet parking facility we installed in 2011 at Crystal Springs Golf & Spa Resort in the town of Hamburg, located in the township of Hardyston, New Jersey not only functions in a commercial environment, but it also serves as a “show room” for our customers, since we have an agreement with the resort that provides us access to the facility for the purpose of conducting demonstrations.

In June 2009, our wholly owned subsidiary, Boomerang USA Corp. entered into a Shareholders Agreement with Tawreed Companies Representation, an entity established under the laws of the Emirate of Abu Dhabi and the United Arab Emirates, to expand our business into Abu Dhabi and possibly elsewhere. The material terms of the Shareholders Agreement are listed below:

- Pursuant to the agreement, the parties incorporated Boomerang Systems Middle East LLC, referred to as BSME, a limited liability company in the Emirate of Abu Dhabi on July 21, 2009.
- The duration of BSME is 5 years and will automatically be renewed for similar terms unless one party notifies the other of its willingness to dissolve BSME 90 days before the expiration date.
- Tawreed and Boomerang USA own 51% and 49%, respectively, of BSME, and all profits are to be split evenly and each party is required to contribute an equal amount of capital when needed.
- The board of directors is comprised of four members, with each party appointing two directors.
- The agreement provides that Boomerang USA will supply BSME with systems at a price that Boomerang USA will receive a fair profit margin. BSME may determine the price at which it sells systems to its customers.
- All intellectual property rights will remain the sole property of Boomerang USA at all times.

To date BSME has generated only a small deposit. BSME currently employs one full time architect who supports our sales and marketing efforts. To date, BSME has secured one contract for a RoboticValet system to be installed in Abu Dhabi for 104 parking spaces. We are not certain of when or if we will begin manufacturing or installing equipment for this project, because the developer is still seeking to secure financing and permitting for the project.

In February 2012, our wholly owned subsidiary, Boomerang MP Holdings Inc., entered into an agreement with Stokes Industries-USA, LLC, to form a joint venture for the purpose of marketing, selling and installing mechanical parking systems in North America. The material terms of the joint venture agreement are listed below:

- Pursuant to the agreement, the parties incorporated Boomerang-Stokes Mechanical Parking LLC, referred to as BSMP in the state of New Jersey on February 15, 2012. The joint venture is authorized to do business as Boomerang Mechanical Parking.
- Unless all directors and members shall mutually agree, the agreement shall continue in effect until January 1, 2018.
- Boomerang MP Holdings and Stokes Industries are each 50% owners of BSMP and share equally in all profits and losses.
- Boomerang MP Holdings will provide the initial \$250,000 of capital required by BSMP to fund operations and marketing efforts over a two-year period, of which approximately \$191,000 has been funded as of September 30, 2012.

- The board of directors of BSMP is comprised of four members, with each party appointing two directors.

BSMP currently employs one full-time sales person. To date, BSMP has not signed any contracts or generated any revenue.

Sales

We currently have fifteen contracts (including the projects currently being implemented in Miami Beach, Florida, Stuart, Florida and the contract through Boomerang Systems Middle East) to purchase our systems and are in active negotiations with other prospective customers. We have received deposits on all but two of our fifteen current contracts, and we anticipate that these contracts will all generate revenue. However, because we do not have a long track record of implementing these systems commercially, we may not be able to accurately forecast our costs, profitability and receipt of customer payments. Furthermore, because we have entered into these contracts early in the planning period on projects that remain subject to substantial financial, permitting and other uncertainties, there is no assurance that they will not be terminated. In such cases, there will be a substantial risk that we will not realize all of the revenue that we otherwise would if the project was completed and that we may incur a loss on such contracts. On future contracts, we intend to require a non-refundable payment at the time we enter into the contract with progress payments generally related to our incurrence of expenses in connection with the contract.

Manufacturing & Installation

We currently lease two manufacturing facilities in Logan, Utah, where we assemble and test equipment for our APS and ALRS systems.

The installation period for each project will depend on upon the type, size and configuration of the system. ALRS and Rack & Rail automated parking systems, will typically take longer to install because we have to manufacture and install a steel rack system. By contrast, we would install the equipment for our RoboticValet system into a concrete deck structure provided by the client, which results in a significant simplification of our installation process. In all cases, our customers will be responsible for obtaining all local and other governmental permits and approvals to construct the structure at their intended location.

Research and Development

For the years ended September 30, 2012 and 2011, the Company incurred \$1,557,898 and \$2,202,020 of research and development expenses, respectively. These expenses relate primarily to design, development, testing and enhancement for RoboticValet subsystems, including robots, vertical lifts, loading bays and TrafficMaster software.

Inventory and Working Capital

We do not currently maintain an inventory of completed parking or self-storage systems available for sale and only maintain a limited partial inventory of certain components or sub-assemblies for these systems. Even though we anticipate that each system we implement would be different in its configuration, many of the components and sub-assemblies are standardized and could be stocked. Establishing a more extensive inventory will depend on our ability to establish sales volume, better-defined installation schedules in the future and our cash position at such time. At the present time, our working capital together with cash from ongoing projects are sufficient to support our administrative requirements and existing projects. However, to implement our full business plan, we may require additional funds. We anticipate receiving deposits and partial completion payments sufficient to manufacture and install systems when ordered.

Competition

We experience intense competition from others in the manufacturing and marketing of our automated parking systems and storage systems. We have identified more than ten competitors engaged in the manufacture and marketing of automated parking systems, and one engaged in manufacturing and marketing automated self-storage systems. Some of our competitors are divisions of large multi-national enterprises, are better capitalized than we are and have been in business longer than we have. They may also have an installed project base, established relationships with potential customers and others in the parking industry and access to greater technical resources than those available to us. Currently we are aware of at least one competitor attempting to develop a product similar to our RoboticValet system, and based on the positive reception we have received from the market for our RoboticValet product, we believe other competitors will attempt to develop a similar system if they are not doing so already. In addition, manufacturers of automated materials handling warehouse systems not in the automated parking business may seek to manufacture systems in competition with us. Other automated parking and self-storage systems are available from both domestic and foreign manufacturers, and it can be anticipated

that others will seek to enter the market. We also compete with traditional parking and storage systems which are more economically viable in cases where land and space are not as valuable.

We intend to seek to achieve a competitive advantage over other parking and self-storage facilities as follows:

- By continuing to invest and make advancements in our hardware and software products to maintain what we believe is our leadership role in APS technology.
 - By keeping our systems cost effective by making them simple to build, operate and maintain.
 - By focusing our activities on automated parking and self-storage facilities so as to be more responsive than our competitors to the needs and requirements of our customers.
- In the domestic market, by maintaining our primary production facilities within the continental United States thereby
- enhancing our ability to deliver and construct systems with greater speed and fewer logistical issues and lower shipping costs.

We believe our RoboticValet system represents an advance in automated parking and will provide us with a significant competitive advantage in system performance and an ability to provide developers with a system which is more easily approved by governmental entities.

Employees

As of September 30, 2012, we had 56 full-time employees and 6 part-time employees. Of these, 11 full-time employees are in executive and general and administrative positions, 17 full-time employees and 3 part-time employees are engaged in design and engineering, 2 full-time employees are engaged in project management, 10 full-time employees and 3 part-time employee are engaged in manufacture and operations activities, 11 full-time employees are engaged in software design and development and 4 full-time employees and 1 full-time support employee are engaged in sales activities.

Prior Activities

Boomerang Systems, Inc. ("Boomerang Utah") was incorporated on December 6, 2006. From inception through the first quarter 2008, Boomerang Utah was a developmental stage company doing research and development on its automated racking parking and storage systems.

Organization

Our company was incorporated under the laws of the State of Delaware on October 11, 1979. On November 8, 2004, we amended our certificate of incorporation to change our corporate name to Digital Imaging Resources Inc. ("Digital") from Dominion Resources Inc.

On February 6, 2008, we completed the acquisition (the "Acquisition") of the business, assets and liabilities of Boomerang Utah by the merger of the Boomerang Utah into a wholly owned subsidiary of ours. We issued as consideration for the acquisition 666,667 shares of our Common Stock. In connection with the closing of the merger we (i) completed a private placement of 100,000 shares of our Common Stock pursuant to a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, (the "Securities Act") resulting in net proceeds to us of approximately \$1,700,000, (ii) effected a one-for-fifteen reverse stock split of our outstanding shares (the "Reverse Split") and (iii) filed an amendment to our Certificate of Incorporation with the State of Delaware effecting a change in our corporate name to Boomerang Systems, Inc. All share amounts in this report and in the Company's financial statements reflect the Reverse Split for all periods presented.

On February 6, 2008, our company was recapitalized to give effect to the Acquisition. Under generally accepted accounting principles, our acquisition of Boomerang Utah is considered to be a capital transaction in substance, rather than a business combination. That is, the acquisition is equivalent to the acquisition by Boomerang Utah of our company, then known as Digital, with the issuance of stock by Boomerang Utah for our net monetary assets of the Company. This transaction is reflected as a recapitalization, and is accounted for as a change in capital structure. Accordingly, the accounting for the acquisition is identical to that resulting from a reverse acquisition. Under reverse acquisition accounting, our comparative historical financial statements, as the legal acquirer, are those of the accounting acquirer, Boomerang Utah. The accompanying financial statements reflect the recapitalization of the stockholders' equity as if the transactions occurred as of the beginning of the first period presented. Thus, the 666,667 shares of common stock issued to the former Boomerang Utah stockholders are deemed to be outstanding for all periods reported prior to the date of the reverse acquisition. As a result of the transaction effected by the Exchange Agreement, our business has become the business of Boomerang Utah.

Subsequent to the Acquisition, the shareholders of Boomerang Utah owned approximately 80.9% of our then outstanding shares. As the Acquisition was a capital transaction, and not a business combination, there is no assigned goodwill or other intangible asset resulting from the Acquisition.

The Company was a developmental stage company through the first quarter of fiscal 2008.

Item 1A. Risk Factors.

An investment in the Company's securities involves a high degree of risk, including, but not necessarily limited to, the risk factors described below. You should carefully consider the following risk factors inherent in and affecting the Company and its business before making an investment decision to purchase the Company's securities.

We have limited operating history which makes it difficult to predict future growth and operating results.

We have a relatively short operating history which makes it impossible to reliably predict future growth and operating results. We are subject to all the risks and uncertainties which are characteristic of a relatively new and emerging business enterprise, including the substantial problems, expenses and other difficulties typically encountered in the course of its business, in addition to normal business risks. We face a high risk of business failure because we have commenced extremely limited business operations and have earned little revenues and have had only material losses since our inception. We may continue to incur losses in the future. Our activities to date have been limited to organizational efforts, including fundraising, research and development, product design, marketing and manufacturing a small number of automated storage and parking systems and limited implementations of our systems. There is no relevant history upon which to base any assumption as to the likelihood that our business will be successful, and there can be no assurance that we will generate significant operating revenues in the future or that we will ever be able to achieve profitable operations in the future. We face all of the risks commonly encountered by other businesses that lack an established operating history, including, but not limited to, the need for additional capital and personnel, and intense competition.

Our increased indebtedness may harm our financial condition and results of operations.

As of September 30, 2012, our total consolidated long-term debt was approximately \$17.7 million. Since then, we have incurred approximately an additional \$3.0 million of long-term debt in a private offering. Our level of indebtedness could have important consequences to us and you, including:

- it could adversely affect our ability to satisfy our obligations;
 - an increased portion of our cash flows from operations may have to be dedicated to interest and principal payments and
- may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- it may impair our ability to obtain additional financing in the future;
- it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- it may make us more vulnerable to downturns in our business, our industry or the economy in general.

Our operations may not generate sufficient cash to enable us to service our debt. If we were to fail to make any required payment under the notes and agreements governing our indebtedness or fail to comply with the covenants contained in the notes and agreements, we would be in default. Our debt holders would have the ability to require that we immediately pay all outstanding indebtedness. If the debt holders were to require immediate payment, we might not have sufficient assets to satisfy our obligations under the notes or our other indebtedness. In such event, we could be forced to seek protection under bankruptcy laws, which could have a material adverse effect on our existing contracts and our ability to procure new contracts as well as our ability to recruit and/or retain employees. Accordingly, a default could have a significant adverse effect on the market value and marketability of our common stock.

We have a limited amount of cash to grow our operations. If we cannot obtain additional sources of cash, our growth prospects and future profitability may be materially adversely affected and we may not be able to implement our business plan or fulfill existing contracts. Such additional financing may not be available on satisfactory terms or it may not be available when needed, or at all.

As of September 30, 2012, we had cash and cash equivalents of \$2,079,235. To implement our full business plan, we will require additional funds during the fiscal year ending September 2013, and would anticipate seeking to raise these funds through public or private debt or equity offerings, including offerings to our existing security holders. In addition, we may seek to restructure our existing liabilities and debt. There can be no assurance that the capital we require to meet our operating needs will be available to us on favorable terms, or at all. If we are unsuccessful in raising sufficient capital, we may be required to curtail our operations. If we issue securities to raise capital, our existing stockholders may experience dilution, or the new securities may have rights senior to those of our common stock.

Moreover, if we do not have adequate capital to complete a contract subsequent to its commencement, particularly if we have received installment payments, we may not be able to fulfill our obligations under existing and future projects and generate progress payments and may be subject to claims for failure to perform by the customer. Our financial condition may also deter potential customers from contracting with us.

We have a history of losses and cash outflow from operations which may continue if we do not increase our sales or reduce our costs.

Since emerging from the status of a business development company in 2008, we have generated few sales, and have generated an operating loss in each financial period. Our accumulated deficit as of September 30, 2012 was \$70,234,609. Losses are continuing to date and are expected to continue into the future until such time as we are able to generate meaningful sales of our systems. In order to improve our profitability, we will need to continue to generate new sales while controlling our costs. As we plan to continue to invest to grow our business, we may not be able to successfully generate sufficient sales to achieve profitability. Our ability to achieve profitability also depends on our ability to expand our customer base and scale up our production capacity beyond our existing capacity, as well as our ability to provide products to meet the demands of our customers. If we fail to reduce the cash consumption from operations and to generate cash from other sources on a timely basis, or if the cash requirements of our business change as the result of changes in the cost of materials, a decline in the real estate market or other causes, we could no longer have the cash resources required to run our business. There is no assurance that we will achieve profitable operations at any point in time or at all.

We have not generated meaningful revenues to date and we cannot assure you that we will be able to significantly increase our revenues

We have only generated aggregate revenues of approximately \$4.4 million from system sales since we entered the business of automation in 2008 and our revenues declined from approximately \$1.6 million in 2011 to approximately \$1.1 million in 2012. Our revenues in 2012 consisted only of progress payments under two projects. While we have entered into 11 additional contracts during the fiscal year ended September 30, 2012, we have only begun the design work for 8 of these contracts and we cannot be certain as to the timing, if ever, that we will generate meaningful revenues from these contracts or future contracts given the long and unpredictable nature of our customers' projects.

We have neither commissioned nor performed any detailed market studies. Our assumptions regarding the potential market for our products may be incorrect.

Other than recent initial marketing efforts conducted by our employees, we have not obtained any market studies by outside consultants or others. Accordingly, there are no independent studies performed by non-affiliated persons to support the beliefs of our management as to the likely market for the automated systems we manufacture and market. Although we believe there is a substantial market for our automated parking and storage systems, there can be no assurance that the market for these systems will be significant.

We have limited experience commercializing our automated parking and storage systems, and much of our technology has not been fully field tested and remains unproven.

All of the contracts we currently have are subject to various uncertainties with respect to the underlying projects. To date, the systems we have implemented have been simpler than many of the systems we are contracted to provide. We expect that, as our systems are installed and used, they will be tested in ways that we cannot fully duplicate outside of the context of an actual, commercial operation of our systems, which has not yet occurred. As a result, once our parking systems are used in commercial operations, we expect to discover various aspects of our systems that require improvement. Based on the limited operation of our test systems to date, it is possible there may be a need for the redesign of certain aspects of our systems. Any redesign requirement could delay existing projects and new sales, could result in increased cost or lowered performance for our systems and could negatively impact the market's acceptance of our systems.

Because our parking systems are different from those currently available, we must actively seek market acceptance of our systems, which we expect may occur gradually, if at all.

Our systems are new and our current RoboticValet automated parking system is substantially different from existing automated parking systems as well as traditional parking garages. A number of enterprises, municipalities and other organizations that could be potential customers for our systems may be reluctant to commit themselves to our systems until one or more systems have been tested in commercial operations over a significant period of time. As a result, we may experience difficulty in achieving market acceptance for our systems. A number of automated parking systems exist in the United States and elsewhere. Most of these systems are materially different in concept from our robotic system. We believe that our RoboticValet system offers a number of advantages over existing automated systems and traditional parking structures. However, we expect challenges in demonstrating the advantages of our systems to potential customers and possibly others in the absence of significant historical data as to their performance. A customer that purchases our systems will likely design the project around it and therefore would encounter significant difficulties if the system did not perform as claimed. We expect that widespread market acceptance of our systems may occur only gradually over time, if at all. A significant ramp-up in sales may be delayed until our systems achieve a meaningful history of commercial operations, which would delay our anticipated recognition of revenues.

We may incur significant costs in connection with the start-up of new contracts before receiving related revenues, which could result in cash shortfalls and fluctuations in quarterly results from period to period.

We often incur expenses before we receive any contract payments. These expenses include design and manufacturing expenses. For example, contracts may not fund start-up costs related to the project and may require that the purchaser obtain necessary regulatory and governmental approvals for development of an automated parking system prior to our receiving a deposit or commencing work on the project. Accordingly, even if we are successful in negotiating deposit payments, we may be required to invest significant sums of money before receiving further related contract payments and the timing of installment payments may not match the timing of our cash outlays. Additionally, any resulting cash shortfall could be exacerbated if we fail to promptly receive payment upon completion of a portion of a project or to otherwise collect fees in a timely manner. A cash shortfall could result in significant consequences. For example, it:

- could increase our vulnerability to general adverse economic and industry conditions;
would require us to dedicate a substantial portion of our cash flow from operations to service payments on our
- indebtedness; reducing the availability of our cash flow to fund future capital expenditures, working capital, execution of our growth strategy, research and development costs and other general corporate requirements;
- could limit our availability to undertake additional projects;
- could limit our flexibility in planning for, or reacting to, changes in our business and industry, which may place us at a competitive disadvantage compared with competitors; and
- could limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity.

As a result, there are no assurances that additional funds, if needed, to help fund start-up costs related to new contracts would be available or, if available, on terms advantageous to us and therefore we may have to dramatically curtail or cease operations.

We have continued to experience delays and cost overruns on our first APS project and may experience delays and cost overruns on future projects.

We have experienced a number of delays and cost overruns on the project on Collins Avenue in Miami Beach for a number of reasons including the following:

- As a result of this being the first APS project of this size that we have executed, we had a limited ability to properly estimate the time and resources required to fully design, engineer, manufacture, ship, install, and commission prior to executing the project.

- In addition, while our system constitutes a key component of our customer's real estate development project, the project itself consists of many other components not provided by us. Some of these components, such as the foundation upon which the system is to be installed, must be in place before we can install our system. In addition, other components provided by the customer such as the building shell erected around our parking system and the fire suppression system installed within our parking system are not supplied by us but must be implemented in conjunction with the installation and commissioning of our system. Delays in the procurement of those components, and lack of coordination between other contractors implementing those components, which were not our contractual responsibility, had a negative impact on the project schedule and resulted in cost overruns. While we typically contract for the right to bill our customer additional charges for change orders, delays and cost overruns caused by such circumstances, we may choose not to charge our customer in a good faith effort to maintain a positive relationship with our customer.

- At this time we have yet to complete this project which is behind schedule and over budget. In order to accelerate completion of this project, we have allocated additional resources and staff, and we cannot be certain about how much additional time and resources it will take to complete. Because we have limited resources, additional time and effort spent on this project may have an adverse effect on our ability to support other projects and various critical aspects of our business plan.

- In discussions with the customer, we have had disagreements as to what constitutes the completion of the system. In the event that we cannot agree upon whether the project has been satisfactorily completed, we may have to enter mediation or arbitration in order to collect additional amounts for this project and our reputation in the marketplace could be adversely affected.

We may experience substantial delays in the start dates, manufacturing and installation of our systems for our current and future contracts due to factors out of our control.

Although we are not experiencing delays in obtaining approvals necessary to begin fulfilling contracts, certain of our customers are experiencing delays in their efforts to obtain the necessary financing and/or government permitting required for their entire project to move forward, of which our systems may only be a small component. Some examples of tasks a real estate developer may need to complete before commencing the construction of a building include:

- conducting environment impact studies;
- conducting traffic impact studies;
- securing planning approvals;
- finishing design of building;
- finishing engineering of building;
- securing construction permits;
- selecting general contractor; and
- securing construction loan.

We may not receive substantial payments under our contracts until the installation of all or a portion our systems, which in some cases could take over a year or longer, or may not occur at all.

We expect to receive a majority of our contract payments during the fabrication and assembly phases of our projects. However, a substantial portion of the contract payments will be collected during the installation and system acceptance phases. Our contracts permit our customers to terminate the contract during the design phase if a more detailed agreement is not executed, permits are not obtained, or other events outside of our control occur. While we have opportunities to install our systems in existing parking structures, we anticipate that the bulk of our opportunity will be in connection with new parking structures. For our systems to work most effectively, the parking structure itself must be designed with the use of our system in mind. Accordingly, we expect that the majority of our sales contracts will be entered into at the planning stage for the related construction project. We expect that the sales cycle, itself, will often be long because of the need to coordinate the design and permitting process for the project as a whole. Large construction projects requiring parking facilities for numerous vehicles typically take several years to plan, finance, permit and complete. Our existing contracts provide that we will be paid upon completion of various stages of completion of the project. We anticipate that, in most cases, our systems will be installed toward the end of the project construction process, which could occur several years after the sale is originally made. Even where our contracts provide for deposit payments before we begin work and for payments on a percentage of completion basis for the work we do, there can be no assurance that our costs will not outpace the payments received. In addition, if a project fails or is terminated prior to or during fabrication, assembly or installation of our system, we will not receive the remaining installment payments, which could result in our incurring a significant loss on the termination of the project.

Because our systems are complex, it is difficult to know prior to commencing project specific design and engineering work if our proposed system is adequate to meet the customer's requirements.

Because our systems are complex, it is difficult to know prior to commencing project specific design and engineering work if our proposed system is adequate to meet the customer's requirements. Since we typically do not perform such work until we have been contracted by our customer, it is possible that we may have to renegotiate the price and terms of our contracts, if in the course of designing and engineering the system we determine that we had previously underestimated the scope of the customer's requirements. In such a situation it is possible that we may not be able to negotiate an alternate solution and price with our customer which might in turn result in a termination of our contract

Some of our contracts contain fixed-price provisions that could result in losses or decreased profits if we fail to accurately estimate our costs.

To date, we have incurred a loss on all of our contracts except one, which is our latest rail-based project. Some of our contracts contain pricing provisions that require the payment of a set fee by the customer for our services regardless of the costs we incur in performing these services. In such situations, we are exposed to the risk that we will incur significant unforeseen costs in performing the contract. Therefore, the financial success of a fixed-price contract is dependent upon the accuracy of our cost estimates made during contract negotiations. Prior to bidding on a fixed-price contract, we attempt to factor in variables including equipment costs, labor, materials and related expenses over the term of the contract. However, it is difficult to predict future costs, especially for contract terms that range from 3 to 5 years. Any shortfalls resulting from the risks associated with fixed-price contracts will reduce our working capital and profitability. Our inability to accurately estimate the cost of providing services under these contracts could have an adverse effect on our profitability and cash flows.

The economic decline has caused, and may continue to cause, a decline in the type of real estate development projects that we intend to target.

Because our sales will depend on the development of projects in which our systems will be incorporated, our sales are likely to be heavily dependent on the construction climate in the markets that we address. Since 2007, new real estate projects in the United States have experienced substantial declines and it is not clear whether, when or to what extent a recovery will occur. A continued slump in new project construction would make it more difficult for us to achieve our growth objectives.

Our ability to perform under our contracts and thereby recognize revenues is dependent on the ability of the project owner to commence and complete construction of the project.

Major residential and commercial construction projects are subject to various uncertainties at several stages. Design, permitting or financing issues can result in substantial delays and, ultimately, can render a project untenable. Our contracts permit our customers to terminate the contract during the design phase if a more detailed agreement is not executed, permits are not obtained, or other events outside of our control occur. Furthermore, even when the underlying project is fully funded and permitted, economic and other real estate market conditions, and possible interruptions in the project moving forward, continue to create uncertainty as to whether and when the project will be completed. Changes in demographics and other macroeconomic changes can cause major construction projects to be delayed or abandoned because they are no longer viable or because they cannot be financed. For example, the recent recession has resulted in a substantial decrease in construction on a global basis. We intend that our contracts with our customers will provide for a

percentage of the contract price to be paid to us if a project is substantially delayed or abandoned. However, we may be unable to negotiate such arrangements and any such compensation is likely to be substantially less than the revenues and profit we would have earned if the project had been completed. Our long-term planning will be based on various assumptions about project completion rates that may not prove to be accurate. A significant delay in construction schedules or a significant number of project abandonments would have a material adverse impact on our business.

We have limited experience estimating our manufacturing and other costs and may underestimate these costs rendering our contracts less profitable or creating losses.

Through the date of these financial statements, we have manufactured and assembled one automated parking and one automated storage system intended for commercial use, and have two additional systems currently being assembled and installed. Accordingly, we have limited experience in acquiring and manufacturing the parts and components for the systems, assembling the systems, and in estimating the labor and overhead costs incurred with manufacturing the parts and components for the systems, assembling the systems, and in estimating the labor and overhead costs incurred with the manufacturing, assembling and installing the automated parking and storage systems. This limited experience may result in us underestimating these costs which could lead to our expenses exceeding the revenues we receive from the contracts we have entered into and that we may enter into in the future. Moreover, we anticipate that due to our limited experience in executing projects of this size, executing multiple projects at the same time may affect our ability to deliver systems on a consistent and timely basis. Losses on our contracts will deplete our cash resources and adversely affect our profitability. At September 30, 2012, we estimated that we would incur a loss on a rail based project. The total loss was estimated to be approximately \$4.0 million through completion of the project, which is expected to be in or about April 2013. However, it is possible we could incur additional losses from project delays, unanticipated expenses and results of possible mediation or arbitration from non-payment of contract obligations.

The loss of one or more of our raw materials suppliers or suppliers of components used in our equipment, or increase in prices, could cause production delays, a reduction of revenues or an increase in costs.

The principal raw materials we use are steel and related products. In addition, we use several components such as batteries, control boards and sensors in the manufacture of our equipment. We have no long-term supply agreements with any of our major suppliers. However, we have generally been able to obtain sufficient supplies of raw materials and components for our operations. Although we believe that such raw materials and components are readily available from alternate sources, an interruption in the supply of steel and related products or a substantial increase in the price of any of these raw materials and components could result in a delay in our ability to build and install systems and reductions in our profit margins.

We expect to face intense competition in selling our systems and we may not be able to compete with our more established competitors.

While we believe that our systems offer a number of advantages over existing garage structures, and other automated parking systems, we expect to face intense competition not only from other systems, but from rack and rail systems and traditional parking garages. Many of the companies with which we may compete have established products, existing relationships and financial capacity that may offer them a competitive advantage. If we are correct in our assumption that the advantages of our systems are significant to customers, we can anticipate that other companies, some with stronger engineering and financial capabilities than we have, will seek to design comparable systems that offer similar or greater advantages. We expect that we will have to continually innovate our products and solutions to reduce cost and increase effectiveness in order to remain competitive and there is no assurance that our systems will become competitive or remain so over time.

Our lack of sufficient patent protection may undermine our competitive position and subject us to intellectual property disputes with third parties, both of which may have a material adverse effect on our business, results of operations and financial condition.

We have filed patent applications with respect to certain aspects of our automated self-storage and automated parking systems but to date we have not been granted any patent protection for our automated parking or self-storage systems and there can be no assurance that, if one or more of our pending applications were allowed, any significant patent protection would be granted. Accordingly, we may have limited protection to prevent others from entering into competition with us.

In addition, others may obtain knowledge of our know-how and technologies through independent development. Our failure to protect our production process, related know-how and technologies and/or our intellectual property and proprietary rights may undermine our competitive position. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property and proprietary rights. Policing unauthorized use of proprietary technology can be difficult and expensive. Litigation, which can be costly and divert management attention and other resources away from our business, may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of our proprietary rights. We cannot assure you that the outcome of such potential litigation will be in our favor. An adverse determination in any such litigation will impair our intellectual property and proprietary rights and may harm our business, prospects and reputation.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.

Our success also depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defense and prosecution of intellectual property suits and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our anticipated products or subject us to injunctions prohibiting the manufacture and sale of our anticipated products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our anticipated products until resolution of such litigation.

Failures of our systems could expose us to liabilities that may not be fully covered by insurance.

Although we have designed a number of safeguards into our systems, they may fail, causing delays, injury or damage to persons, vehicles or other property that may not be covered by insurance. Our insurance does not cover any contractual liability that we may have as a result of a delay in delivery of systems to our customers. Any such events, whether covered by insurance or not, could have a material adverse effect on our business.

Our success is dependent upon our executive officers and other key personnel.

We rely for the conduct of our business on a small group of people whose expertise and knowledge of our business are critical to the prospects for its success. Our Chief Executive Officer, President, and the Chief Executive Officer of our wholly owned subsidiary have accepted substantial equity interests and less cash for their services and it is unlikely that we could attract employees of comparable ability for the cash compensation that we are currently paying to these individuals. The loss of any of our key management team would cause significant disruption in our operations and would require us to seek suitable replacements. There is no assurance that we could attract qualified employees quickly or without incurring significant increased cost.

Because some of our officers have only agreed to provide their services on a part-time basis, they may not be able or willing to devote a sufficient amount of time to our business operations, which may cause our business to fail.

Although our Chief Executive Officer has agreed to devote the vast majority of his productive time, ability and attention to our business, he also is permitted to provide consulting services to third parties on a limited basis, and to serve on other boards of directors. In addition, Stan Checketts, Chief Executive Officer of our wholly owned operating subsidiary, Boomerang Sub, Inc., and a member of the Company's Board of Directors, has commenced developing, manufacturing, and selling amusement rides through Stan Checketts Properties. As a result, he devotes less than the majority of his time to us. Accordingly, these officers may not be able to devote sufficient time to the management of our business, as and when needed. It is possible that the demands of these officers' other business commitments will keep these officers from devoting sufficient time to the management of our business. Competing demands on these officers' time may lead to a divergence between their interests and the interests of other shareholders.

Our foreign operations, could subject us to increased regulations and risks. Failure to comply with these laws may affect our ability to conduct business in certain countries and may affect our financial performance.

We are currently actively seeking customers in the United Arab Emirates and the surrounding Gulf region and may seek customers in India and other countries. Our foreign operations might or would subject us to a number of risks, including:

- currency fluctuations, which could affect our revenues for transactions denominated in non-U.S. currency or make our services relatively more expensive if denominated in United States currency;
- difficulties in staffing and managing multi-national operations;

- political and economic instability;
- limitations on our ability to enforce legal rights and remedies;
- restrictions on the repatriation of funds;
- changes in regulatory structures or trade policies; and
- tariff and tax regulations.

We are subject to a variety of laws regarding our international operations, including the Foreign Corrupt Practices Act and regulations issued by U.S. Customs and Border Protection, the Bureau of Industry and Security, and the regulations of various foreign governmental agencies. We cannot predict the nature, scope or effect of future regulatory requirements to which our international sales and manufacturing operations might be subject or the manner in which existing laws might be administered or interpreted. Future regulations could limit the countries in which some of our products may be manufactured or sold, or could restrict our access to, and increase the cost of obtaining, products from foreign sources. In addition, actual or alleged violations of these laws could result in enforcement actions and financial penalties that could result in substantial costs.

Our systems and the projects in which they are installed are subject to complex and diverse regulation that may increase the cost of our systems or limit their efficiency.

Our systems and the real estate development projects in which they are installed are subject to a variety of regulations, including zoning and building codes, permitting, and fire and other safety regulations. Most of these regulations are local and vary considerably from location to location. We and our customers will be required to design systems and garages that conform to all applicable regulations, which may make it more difficult to standardize our offerings or to maximize the efficiency of our systems. The enforcement of local regulations often involves the exercise of considerable judgment and there is likely to be a certain level of uncertainty as to what the regulations will be held to require in each project. Local regulations may cause delays or cost increases that could have an adverse impact on our business.

Environmental regulation and liability may increase our costs and adversely affect us.

Our manufacturing operations are subject to federal and state environmental laws and regulations concerning, among other things, water discharges, air emissions, hazardous material and waste management. Environmental laws and regulations continue to evolve and we may become subject to increasingly stringent environmental standards in the future, particularly under air quality and water quality laws and standards related to climate change issues, such as reporting of greenhouse gas emissions. We are required to comply with environmental laws and the terms and conditions of environmental permits. Failure to comply with these regulations, laws or permits could result in fines and penalties. We also may be required to make significant expenditures relating to environmental matters on an ongoing basis.

Based upon our marketing experience to date, we expect to undergo rapid growth of our operations as our sales, manufacturing and installation activity increase; we may be unable to manage this growth, to retain qualified employees and to implement infrastructure changes necessary to support this growth which would negatively adversely affect us.

We are currently managed and run by a small staff of employees who are engaged primarily in system design, manufacture and sales activity and general and administrative functions. We expect that, if sales increase as we anticipate, and particularly as sales cycles advance, we will be subjected to rapid growth and a substantial increase in the activities that we are called upon to perform and the duties we must fulfill. We may fail properly to anticipate the need for additional employees or be unable to attract and retain qualified employees as required to sustain our expected growth. We will also be required to put in place in a timely manner effective accounting systems, reporting structures and other infrastructure required to sustain our growing and developing operations. The failure to anticipate and effectively deal with these requirements could cause us to miss opportunities that would otherwise be available to us and could cause our performance to suffer across a broad range of activities. Any such occurrences would have a material adverse effect on our business and prospects.

Our management has limited experience managing a public company and our current resources may not be sufficient to fulfill our public company obligations.

As a public company, we are subject to various requirements of the Securities and Exchange Commission, including record-keeping, financial reporting, and corporate governance rules. Our management team has limited experience in managing a public company and, historically, has not had the resources typically found in a public company. Our internal infrastructure may not be adequate to support our reporting and other compliance obligations and we may be unable to hire, train or retain necessary staff and may be reliant on hiring

outside consultants or professionals to overcome our lack of experience or trained and experienced employees. Our business could be adversely affected if our internal infrastructure is inadequate, we are unable to engage outside consultants, or are otherwise unable to fulfill our public company obligations.

Our management and a limited number of stockholders, many of whom are related parties, collectively hold a controlling interest in us, they have significant influence over our management and their interests may not be aligned with our interests or the interests of our other stockholders.

Our company's management and a limited number of stockholders, many of whom are related parties, retain majority control over us and our business plans and investors may be unable to meaningfully influence the course of action of our company. The existing management and a limited number of stockholders, many of whom are related parties, are able to control substantially all matters requiring stockholder approval, including nomination and election of directors and approval or rejection of significant corporate transactions. There is also a risk that our existing management and a limited number of stockholders may have interests which are different from investors and that they will pursue an agenda which is beneficial to themselves at the expense of other stockholders.

There are limitations on the liabilities of our directors and executive officers. Under certain circumstances, we are obligated to indemnify our directors and executive officers against liability and expenses incurred by them in their service to us.

Pursuant to our amended and restated certificate of incorporation and under Delaware law, our directors are not liable to us or our stockholders for monetary damages for breach of fiduciary duty, except for liability for breach of a director's duty of loyalty, acts or omissions by a director not in good faith or which involve intentional misconduct or a knowing violation of law, dividend payments or stock repurchases that are unlawful under Delaware law or any transaction in which a director has derived an improper personal benefit. In addition, we have entered into indemnification agreements with each of our directors and executive officers. These agreements, among other things, require us to indemnify each director and executive officer for certain expenses, including attorneys' fees, judgments, fines and settlement amounts, incurred by any such person in any action or proceeding, including any action by us or in our right, arising out of the person's services as one of our directors or executive officers. The costs associated with providing indemnification under these agreements could be harmful to our business.

Risks Related to Our Securities

Conversion of the notes or exercise of the warrants will dilute the ownership interest of existing stockholders, including holders who had previously converted their notes or exercised their warrants.

As of September 30, 2012, we had outstanding notes convertible into 3,975,206 shares of common stock and options and warrants to purchase 9,408,610 shares of common stock. The conversion of some or all of the outstanding convertible notes or exercise of some or all of the outstanding options and warrants will dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon conversion of the notes or exercise of the warrants could adversely affect prevailing market prices of our common stock. In addition, the existence of the convertible notes or options and warrants may encourage short selling by market participants because the conversion of the convertible notes or exercise of the options and warrants could depress the price of our common stock.

The conversion price of the outstanding convertible notes and the exercise price of many of the outstanding warrants are subject to adjustment for below conversion price and exercise price issuances of common stock and common stock equivalents.

As of September 30, 2012, we had outstanding approximately \$11.6 million and \$6.2 million principal amount of convertible notes at a rate of \$4.25 and \$5.00, respectively, and warrants to purchase approximately 2,860,000 and 1,308,000 shares of common stock at exercise prices of \$4.25 and \$5.00, respectively, which are subject to adjustment for issuances of common stock or common stock equivalents below the respective conversion price or exercise price. In the event we issue shares of common stock or securities convertible into or exchangeable or exercisable for common stock, the conversion rate of the outstanding notes and the exercise price of the warrants would decrease, resulting in a greater number of shares of common stock issuable upon conversion of the convertible notes and exercise of the warrants. Such an adjustment would have a dilutive effect on the holders of our outstanding common stock and could negatively impact the market price for our common stock.

There is no assurance of an active public market for our common stock and the price of our common stock may be volatile.

Given the relatively minimal public float and trading activity in our securities, there is little likelihood of any active and liquid public trading market developing for our shares. If such a market does develop, the price of the shares may be volatile. In the light of our limited operating history and revenues, continuing losses and financial condition, quotations published in the “pink sheets” are not necessarily indicative of the value of the Company. Such quotations are inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions. Since the shares do not qualify to trade on any national securities exchange, if they do actually trade, the only available market will continue to be through the OTC Bulletin Board or in the OTCQB tier of the OTC Markets. It is possible that no active public market with significant liquidity will ever develop. This could negatively impact your ability to sell the notes, warrants or common stock.

Fluctuations in the price of our common stock may impact your ability to resell the notes, warrants or the common stock issuable upon conversion of the notes or exercise of the warrants when you want or at prices you find attractive.

Because the notes are convertible into and the warrants are exercisable for our common stock, volatility or depressed prices for our common stock could have an effect on the trading price of the notes or warrants. Holders who have received common stock upon conversion of the notes or exercise of the warrants will also be subject to the risk of volatility and depressed prices of our common stock.

Our common stock price can fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include, among others:

- our performance and prospects;
- the depth and liquidity of the market for our common stock;
- investor perception of us and the industry in which we operate;
- changes in earnings estimates or buy/sell recommendations by analysts;
- general financial and other market conditions; and
- general economic conditions.

In addition, the stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common stock.

Application of guidance related to the Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock has negatively impacted our statement of operations for the year ended September 30, 2012 and could continue to negatively impact our statement of operations.

For the year ended September 30, 2012, we reported an unrealized loss on derivatives of \$2,237,741 in our consolidated statements of operations as a result of the change in fair value of derivative warrant liability relating to the outstanding warrants issued in our November and December 2011 offering. Our net income (loss) will continue to fluctuate as a result of the impact of such warrants and will be adversely affected in each reporting period in which the fair value of the warrants that remain outstanding increase.

We are subject to the penny stock rules adopted by the Securities and Exchange Commission that require brokers to provide extensive disclosure to its customers prior to executing trades in penny stocks. These disclosure requirements may cause a reduction in the trading activity of our Common Stock, which in all likelihood would make it difficult for our stockholders to sell their securities.

Rule 3a51-1 of the Securities Exchange Act of 1934 establishes the definition of a “penny stock,” for purposes relevant to us, as any equity security that has a minimum bid price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to a limited number of exceptions which are not available to us. This classification would severely and adversely affect any market liquidity for our Common Stock.

For any transaction involving a penny stock, unless exempt, the penny stock rules require that a broker or dealer approve a person's account for transactions in penny stocks and the broker or dealer receive from the investor a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person's account for transactions in penny stocks, the broker or dealer must obtain financial information and investment experience and objectives of the person and make a

reasonable determination that the transactions in penny stocks are suitable for that person and that that person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the SEC relating to the penny stock market, which, in highlight form, sets forth:

- The basis on which the broker or dealer made the suitability determination; and
- That the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and commission payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Because of these regulations, broker-dealers may not wish to engage in the above-referenced necessary paperwork and disclosures and/or may encounter difficulties in their attempt to sell shares of our common stock, which may affect the ability of selling securityholders or other holders to sell their shares in any secondary market and have the effect of reducing the level of trading activity in any secondary market. These additional sales practice and disclosure requirements could impede the sale of our common stock, if and when our common stock becomes publicly traded. In addition, the liquidity for our common stock may decrease, with a corresponding decrease in the price of our common stock. Our common stock, in all probability, will be subject to such penny stock rules for the foreseeable future and our stockholders will, in all likelihood, find it difficult to sell their common stock.

Future sales of our common stock in the public market or the issuance of our common stock or securities senior to our common stock could adversely affect the trading price of our common stock.

Our Certificate of Incorporation currently authorizes our Board of Directors to issue up to 400,000,000 shares of common stock and 1,000,000 shares of undesignated preferred stock. Any additional issuances of any of our authorized but unissued shares will not require the approval of stockholders and may have the effect of further diluting the equity interest of stockholders.

We may issue common stock or equity securities senior to our common stock in the future for a number of reasons, including to attract and retain key personnel, to finance our operations and growth strategy, to adjust our ratio of debt to equity, to satisfy outstanding obligations or for other reasons. If we issue securities, our existing stockholders may experience dilution or the new securities may have rights senior to those of our common stock. In addition, the terms of these securities could impose restrictions on our operations. Future sales of our common stock, the perception that such sales could occur or the availability for future sale of shares of our common stock or securities convertible into or exercisable for our common stock could adversely affect the market prices of our common stock prevailing from time to time.

As of January 11, 2013, we had:

- 9,367,225 shares of common stock that were subject to outstanding warrants;
- 641,385 shares of common stock that were subject to options; and
- \$20,824,520 of outstanding notes that were convertible into a maximum of 4,575,206 shares of common stock, subject to adjustment.

We have never paid dividends on our common stock and do not expect to pay dividends in the foreseeable future.

We intend to invest all available funds to finance our growth. Therefore our stockholders cannot expect to receive any dividends on our common stock in the foreseeable future. Even if we were to determine that a dividend could be declared, we could be precluded from paying dividends by restrictive provisions of loans, leases or other financing documents or by legal prohibitions under applicable corporate law.

Item 2. Properties.

We entered into a five year lease, which commenced on December 1, 2011, for principal office space, consisting of approximately 7,350 square feet, located at 30 B Vreeland Avenue, Florham Park, NJ. This is also the location of our sales and marketing activities. Manufacturing is undertaken at 324 West 2500 North, Logan, Utah. A total of approximately 50,150 square feet for manufacturing, office and conference room space is subject to lease agreements with SB&G Properties and Stan Checketts Properties, both of which are related parties. These leases expired in September 2011. Amendments to both leases were entered into on October 1, 2011, extending the leases on a month-to-month basis. If we are unable to extend these leases in the future, we will need to find another manufacturing facility, which may have an adverse impact on our operations.

Item 3. Legal Proceedings

Although we believe we are not a defendant in any material pending legal proceedings, we may from time to time become involved in litigation relating to claims arising from the ordinary course of business. These claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

Item 4. Mine Safety Disclosures

PART II

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

Market for Common Equity and Dividends

Our common stock is quoted for trading on the OTCQB tier of the OTC Markets under the symbol "BMER". The market for our common stock is limited, sporadic and highly volatile. Since our shares do not qualify to trade on any national securities exchange, if they do actually trade, the only market currently available will continue to be in the "pink sheets". It is possible that no active public market with significant liquidity will ever develop. Thus, investors run the risk of never being able to sell their shares.

The following table sets forth the quarterly range of high and low bid information quoted on the OTCQB for the past two fiscal years. These quotations represent prices between dealers and do not include retail mark-ups, mark-downs or commissions. They do not necessarily represent actual transactions.

	Bid Range	
	High	Low
Fiscal Year 2012:		
Fourth Quarter	\$ 4.60	\$ 3.62
Third Quarter	\$ 4.75	\$ 4.40
Second Quarter	\$ 4.50	\$ 3.51
First Quarter	\$ 10.01	\$ 4.10
Fiscal Year 2011:		
Fourth Quarter	\$ 12.00	\$ 6.00
Third Quarter	\$ 8.00	\$ 5.00
Second Quarter	\$ 12.40	\$ 6.60
First Quarter	\$ 10.60	\$ 6.00

The above quotations represent prices between dealers and do not include retail mark-ups, mark-downs or commissions. They do not necessarily represent actual transactions. The above prices give effect to the one-for-twenty reverse stock split effected on June 20, 2011.

As of January 11, 2013, the number of record holders of our Common Stock was 351. We have never paid a cash dividend on our Common Stock and anticipated capital requirements make it unlikely that any cash dividends will be paid on our common stock in the foreseeable future.

Item 6. Selected Financial Data.

As a smaller reporting company, we are not required to respond to this Item.

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

Introduction

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and accompanying notes appearing elsewhere in this report. This discussion and analysis contains forward looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward looking statements as a result of certain factors, including but not limited to the risks discussed in this report.

Revenue Recognition

Revenues from the sales of RoboticValet and rail based systems are generally completed over a period exceeding one year and will be recognized using the percentage of completion method, whereby revenue and the related gross profit is determined by comparing the actual costs incurred to date for the project to the total estimated project costs at completion. Project costs generally include all material and shipping costs, our direct labor, subcontractor costs and an allocation of indirect costs related to the direct labor. Changes in the project scope, site conditions, staff performance and delays or problems with the equipment used on the project can result in increased costs that may not be billable or accepted by the customer and a loss or lower profit from what was originally anticipated at the time of the proposal.

Estimates for the costs to complete the project are periodically updated by management during the performance of the project. Provisions for changes in estimated costs and losses, if any, on uncompleted projects are made in the period in which such losses are determined.

We may have service contracts in the future after the contract warranty period is expired, which are separate and distinct agreements from project agreements and will be billed according to the terms of the contract.

Liquidity and Capital Resources

Cash and cash equivalents for the fiscal year ended September 30, 2012 increased by \$2,013,645 to \$2,079,235 as of September 30, 2012, up from \$65,590 as of September 30, 2011. At the present time, our working capital together with cash from ongoing projects are sufficient to support our administrative requirements and existing projects. However, to implement our full business plan, we will require additional funds during the fiscal year ending September, 2013, and anticipate seeking to raise these funds through public or private debt or equity offerings, including offerings to our existing security holders. In addition, we may seek to restructure our existing liabilities and debt. There can be no assurance that the capital we require to meet our operating needs will be available to us on favorable terms, or at all. If we are unsuccessful in raising sufficient capital, we may be required to curtail our operations.

For the fiscal year ended September 30, 2012, we had a net loss of \$17,422,111. Included in this net loss were several non-cash expenses that partially offset the use of cash. These non-cash expenses include depreciation of \$297,961, allowance for doubtful accounts of \$155,781, amortization of discount on convertible debt of \$2,137,202, issuance of common stock for interest of \$736,161, issuance of common stock for services of \$50,001, a loss on equity investment of \$156,242, expenses from the issuance of stock options of \$522,987 and the issuance of warrants of \$1,209,806, and a non-cash loss on the fair value of derivative of \$2,237,741. Cash decreased as we experienced a fiscal year increase in inventories of \$105,801, in security deposit of \$20,825, in prepaid expenses and other assets of \$20,564, in estimated loss on uncompleted contract of \$314,145, and in restricted cash of \$81,671, which represents cash received on a rack and rail project and placed in escrow until certain milestones are reached. Additionally, decreases in deposits payable of \$30,000 contributed to decreased liquidity. These items were offset by increases in accounts payable and accrued liabilities of \$351,755, in due to related party of \$176,610 and in billings in excess of costs of \$5,147, and decreases in notes receivable of \$16,748,

in accounts receivable of \$184,811 and in costs in excess of billings of \$45,559. After adjusting our net loss for these non-cash items and the net changes in assets and liabilities, net cash used in operations was \$9,082,315 for the fiscal year ended September 30, 2012.

Financing activities provided \$11,470,760 for the fiscal year ended September 30, 2012. Net cash provided by financing activities consisted of \$2,176,000 of proceeds from notes payable and \$11,025,000 of proceeds from private placements of convertible notes and warrants, offset by \$1,730,240 of note and line of credit repayments.

During the fiscal year ended September 30, 2012, net cash used in investing activities consisted of an increase in equity investment of \$246,601 in our joint ventures and an increase in property, plant and equipment of \$128,199. Accordingly, net cash used in investing activities was \$374,800.

There were no off-balance sheet arrangements during the fiscal year ended September 30, 2012 that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our interests.

November/December 2011 Offering

In November and December 2011, the Company issued to subscribers 6% convertible promissory notes (“Notes”) in the aggregate principal amount of approximately \$11.6 million and five-year warrants to purchase approximately 2.7 million shares of common stock (“Warrants”) in a private placement (the “Offering”). In connection with the Offering, we received cash proceeds of approximately \$5.0 million and refinanced approximately \$6.6 million of then existing short-term indebtedness. For each \$100,000 invested, a Subscriber was issued a \$100,000 principal amount Note and Warrants to purchase 23,530 shares of the Company’s Common Stock.

In connection with the Offering, the following officers, directors, 5% stockholders and affiliates of the Company converted indebtedness in the amounts and for the Notes and Warrants listed below.

Name	Indebtedness Converted	Notes issued in Offering	Warrants issued in Offering
HSK Funding Inc. ⁽¹⁾	\$ 254,000	\$ 254,000	59,765
Lake Isle Corporation ⁽²⁾	\$ 1,761,917 ⁽¹¹⁾	\$ 1,761,917	414,570
Christopher Mulvihill ⁽³⁾	\$ 1,451,000 ⁽¹²⁾	\$ 1,451,000	341,412
James Mulvihill TTEE Sunset Group Inc. PSP ⁽⁴⁾	\$ 253,917	\$ 253,917	59,745
MRP Holdings LLC and Mark R Patterson Revocable Trust ⁽⁵⁾	\$ 608,014	\$ 608,014	143,063
Sail Energy LLC ⁽⁶⁾	\$ 300,142	\$ 300,142	70,622
Stan Checketts Properties, LLC ⁽⁷⁾	\$ 133,571	\$ 133,571	31,429
SB&G Properties LLC ⁽⁸⁾	\$ 220,763	\$ 220,763	51,945
Venturetek L.P. ⁽⁹⁾	\$ 292,461	\$ 292,461	68,815
Albert Behler ⁽¹⁰⁾	\$ 507,972	\$ 507,972	119,523

(1) HSK Funding Inc. is a principal stockholder and a member of SB&G Properties LLC.

(2) Gail Mulvihill, the individual who exercises sole voting and investment control over Lake Isle Corporation, is the mother of Christopher Mulvihill, the Company’s President and is a principal stockholder. Lake Isle Corporation is a member of SB&G Properties LLC.

(3) Christopher Mulvihill is the Company’s President and director.

(4) James Mulvihill is the brother of Christopher Mulvihill and son of Gail Mulvihill.

(5) MRP Holdings LLC, and Mark R Patterson Revocable Trust are owned by Mark Patterson, the Company’s Chief Executive Officer and director.

- (6) Sail Energy LLC is owned by Gail Mulvihill.
- (7) Stan Checketts Properties, LLC. is owned by Stan Checketts, the Chief Executive Officer of the Company's wholly owned subsidiary and director of the Company, and is a principal stockholder. Stan Checketts Properties is a member of SB&G Properties LLC.
- (8) SB&G Properties LLC is owned by HSK Funding Inc., Stan Checketts Properties, Lake Isle Corporation and Venturetek L.P.
- (9) Venturetek L.P. is a principal stockholder and a member of SB&G Properties LLC.
- (10) Albert Behler is a principal stockholder of the Company.
- (11) Included in this balance is \$1,000,000 of indebtedness resulting from a bank line of credit that Lake Isle Corp. caused to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000.
- (12) On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill.

The Notes are convertible into common stock at \$4.25 per share, subject to weighted average adjustment for issuances of common stock or common stock equivalents below the conversion price, subject to certain exceptions. The Notes are due on the five year anniversary of the respective date of issuance.

Interest accrues on the Notes at 6% per annum. Interest is payable quarterly, commencing on December 31, 2011, at the Company's option, interest may be payable in: (i) cash or (ii) shares of the Common Stock. If the Company elects to pay interest in shares of common stock on an interest payment date, the number of shares issuable will be equal to the quotient obtained by dividing the amount of accrued and unpaid interest payable on such interest payment date by the lesser of: (i) the conversion price, and (ii) the average of the last sale price of the common stock during the ten (10) consecutive trading days ending on the fifth (5th) trading day immediately preceding such interest payment date (the "Average Price"), if the average daily trading volume (the "ADTV") of the common stock for the ten (10) trading days prior to the interest payment date is less than \$100,000 per day, provided, however if the ADTV is equal to or greater than \$100,000, it will be the Average Price, and not the conversion price.

The outstanding principal amount of the Notes and accrued and unpaid interest thereon will automatically convert into a number of shares of common stock determined by dividing the outstanding principal amount of the Notes plus accrued and unpaid interest thereon, by the conversion price in effect on the mandatory conversion date. The mandatory conversion date is the date on which (i) the last sale price of the Common Stock on 20 of the 30 immediately preceding trading days equals or exceeds 200% of the conversion price; (ii) the shares issuable upon conversion of the Notes are eligible for resale under an effective registration statement and/or Rule 144 promulgated under the Securities Act of 1933, as amended, without restriction as to volume or manner of sale and (iii) the ADTV during such 30 trading day period equals or exceeds \$500,000.

If an event of default as defined in the Notes exists, the holder may declare the entire principal of, and all interest accrued and unpaid on, the Note then outstanding to be, due and payable.

For so long as the Notes are outstanding, without the prior written consent of the holders of at least a majority of the aggregate principal amount of the Notes, the Company may not:

- create, incur, assume or suffer to exist, any indebtedness, contingent and otherwise, which should, in accordance with generally accepted accounting principles consistently applied, be classified upon the Company's balance sheet as liabilities and which would be senior or pari passu in right of payment to the Notes, except for: (i) secured or unsecured debt issued to a bank or financial institution on commercially reasonable terms, or (ii) any other debt not to exceed \$5 million, individually, or in the aggregate;
- and may not permit its subsidiaries to, engage in any transactions with any officer, director, employee or any affiliate of the Company, including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of \$50,000, other than: (i) for payment of

reasonable salary for services actually rendered, as approved by the Board of Directors of the Company as fair in all respects to the Company, (ii) reimbursement for expenses incurred on behalf of the Company (iii) transactions and written arrangements in existence on the date of the initial issuance of the Notes, and any amendments, modifications, cancellations, terminations, limitations and waivers approved by a majority of the independent disinterested directors of the Company; and

- and may not permit any subsidiary to: (i) declare or pay any dividends or make any distributions to any holder(s) of common stock or such subsidiaries (other than dividends and distributions from a subsidiary to the Company) or (ii) purchase or otherwise acquire for value, directly or indirectly, any shares or other equity security of the Company, other than the Notes or Warrants.

The Warrants are exercisable at \$4.25 per share, subject to weighted average adjustment for issuance below the exercise price, subject to certain exceptions. Cashless exercise is permitted if the average trading volume of the Company's common stock during at least five (5) of the ten (10) consecutive trading days immediately preceding the date of the notice of exercise is at least 10,000 shares, and will be based upon the average of the last sale price of the common stock during the five (5) consecutive trading days prior to the notice of exercise. In certain instances, a holder shall not be permitted to exercise the Warrant if such exercise would result in such holder's total ownership of the Company's common stock exceeding 4.9%. The Warrants expire five years from the respective date of issuance.

The Company has valued the Warrants, and the beneficial conversion features ("BCF") of the Notes, to their maximum value in proportion to the Notes and had accounted for them as a discount to the debt. In certain circumstances the convertibility features and the attached Warrants contain reset provisions which adjust the conversion price of the Notes and the exercise price of the Warrants should the Company sell additional shares of common stock below the initial conversion price of the Notes or warrant exercise price as agreed to upon entry into the convertible notes payable. The Company has assessed that the reset provision for the convertibility feature and the warrant exercise price are such that they are not indexed to the Common Stock and is therefore a derivative in accordance with ASC 815-40 (formerly EITF 07-5). As such the derivative was valued on the date of its initiation, with each issuance of convertible debt, and will be re-valued at its fair value at each subsequent interim and annual reporting period.

The Company valued the Warrants and the BCF, and the resulting derivative liability, at \$5,309,941 each for the Warrants and the BCF, for a total of \$10,619,882 recorded as a discount to the convertible debt during the first quarter of fiscal 2012. This discount will be amortized over the life of the note or until such time as the note is repaid or converted, or upon exercise of the Warrants. The valuation of the Warrants and BCF were determined using the Black-Scholes option pricing model with the following weighted assumptions for all debt issuances: i) expected dividend rate of 0% ii) expected volatility of 52.7% iii) risk free interest rate of 0.9% and expected term of 5 years. During the year ended September 30, 2012 the Company has amortized \$1,917,494 of the debt discount.

As of the date(s) of the Note issuances the aggregate fair value of the derivative was \$10,619,882. The revaluation of the derivative as of September 30, 2012 resulted in a derivative value of \$12,813,928. The change in fair value of the derivative from the date(s) of note issuance through September 30, 2012 resulted in a loss on the fair value of the derivative liability of \$2,194,046. The derivative liability was revalued on September 30, 2012 using the Black-Scholes option pricing model with the following weighted assumptions: i) expected dividend rate of 0% ii) expected volatility of 53.16% iii) risk free interest rate of 0.9% and expected term of 4.10 years.

In connection with the Offering, the Company paid a placement agent an aggregate cash fee of approximately \$244,000 for its services as placement agent. The Company issued warrants to the placement agent (the "Placement Agent Warrants") to purchase an aggregate of 109,177 shares of common stock. The Placement Agent Warrants expire five years from the respective date of issuance and contain substantially the same terms as those issued to subscribers. The Placement Agent Warrants were valued based on the Black-Scholes Model with assumptions similar to those used to value the Warrants issued to the purchasers of Notes in the Offering. The Placement Agent Warrants have similar terms to those issued to the convertible debt holders, including a reset provision included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants. The Placement Agent Warrants, similar to the Warrants issued to the purchasers of Notes in the Offering, do not meet the definition of being indexed to the Company's own stock in accordance with ASC 815-40. Accordingly, the Company has recorded a derivative liability for the value of the Placement Agent Warrants. The derivative liability valued at \$212,040 upon the Placement Agent Warrants grant, was revalued at \$255,735 at September 30, 2012. The valuation at September 30, 2012 was valued based on the Black-Scholes Model with assumptions similar to those used to value the Warrants granted to the debt holders as of September 30, 2012. The difference in valuation for the year ended September 30, 2012 was \$43,695, accounted for as a loss on fair value of derivative.

The Company also entered into a registration rights agreement with the subscribers. Pursuant to the registration rights agreement, the Company agreed to file a registration statement within 90 days after the closing date of the Offering (the “Closing Date”) to register for resale the shares of common stock issuable upon conversion of the Notes and exercise of the Warrants and Placement Agent Warrants (collectively, the “Registrable Shares”). The registration statement was timely filed and declared effective by the SEC. The Company shall use its best efforts to cause any additional registration statements it may be required to file to be declared effective within 90 days of the required filing date.

In the event that a registration statement is not filed or declared effective by the SEC by the applicable deadline, the Company will pay to the holders of Registrable Shares an amount equal to 1% of the original principal amount of the investor’s Note, multiplied by a fraction with the numerator equal to the number of Registrable Shares that were required to be included in such registration statement which is not so filed, declared effective or maintained and otherwise are unsold at the time of such failure and the denominator equal to the sum of the total number of shares issued or issuable to the Investor upon conversion of the Notes and exercise of the Warrants purchased pursuant to the Subscription Agreement and owned by such holder.

June/July 2012 Offering

In June and July 2012, the Company issued to subscribers 6% convertible promissory notes due on June 14, 2017 (“2012 Notes”) in the aggregate principal amount of \$6.2 million and warrants to purchase approximately 1.2 million shares of Common Stock (“2012 Warrants”) in a private placement (the “2012 Offering”) for aggregate gross cash proceeds of \$6.2 million. For each \$100,000 invested, a subscriber was issued a \$100,000 principal amount 2012 Note and 2012 Warrants to purchase 20,000 shares of the Company’s Common Stock.

In connection with the 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
MRP Holdings LLC ⁽¹⁾	\$ 150,000	30,000
Sail Energy, LLC ⁽²⁾	\$ 510,000	102,000
Heather Mulvihill ⁽³⁾	\$ 100,000	20,000
IA 545 Madison Assoc. ⁽⁴⁾	\$ 200,000	40,000
Burton I. Koffman ⁽⁴⁾	\$ 50,000	10,000
David Kent and Christine W. Koch ⁽⁵⁾	\$ 75,000	15,000
Alexandria Equities, LLC ⁽⁶⁾	\$ 1,000,000	200,000

- (1) Mark R. Patterson, the sole member of MRP Holdings LLC, is the Company’s Chief Executive Officer and a director.
- (2) Sail Energy, LLC is owned by Gail Mulvihill, a principal stockholder and mother of Christopher Mulvihill, the Company’s President and director.
- (3) Heather Mulvihill is the sister-in-law of Christopher Mulvihill and daughter-in-law of Gail Mulvihill.
- (4) Burton I. Koffman, a partner of IA 545 Madison Assoc., is a principal stockholder of the Company.
- (5) David Kent Koch is the Company’s Chief Operating Officer.
- (6) Alexandria Equities, LLC became a principal stockholder of the Company as a result of this purchase.

The 2012 Notes are convertible into Common Stock at \$5.00 per share, subject to weighted average adjustment for issuances of common stock or common stock equivalents below the conversion price, subject to certain exceptions. Additionally, the conversion price may not be adjusted below \$0.25.

Interest accrues on the 2012 Notes at 6% per annum. Interest is payable quarterly, commencing on June 30, 2012. At the Company's option, interest may be payable in: (i) cash or (ii) shares of the Common Stock. If the Company elects to pay interest in shares of its Common Stock on an interest payment date, the number of shares issuable will be equal to the quotient obtained by dividing the amount of accrued and unpaid interest payable on such interest payment date by the lesser of: (i) the conversion price, and (ii) the average of the last sale price of the Common Stock during the ten (10) consecutive trading days ending on the fifth (5th) trading day immediately preceding such interest payment date (the "Average Price"), if the average daily trading volume (the "ADTV") of the Common Stock for the ten (10) trading days prior to the interest payment date is less than \$100,000 per day, provided, however if the ADTV is equal to or greater than \$100,000, it will be the Average Price, and not the conversion price.

The outstanding principal amount of the 2012 Notes and accrued and unpaid interest thereon will automatically convert into a number of shares of Common Stock determined by dividing the outstanding principal amount of the 2012 Notes plus accrued and unpaid interest thereon, by the conversion price in effect on the mandatory conversion date. The mandatory conversion date is the date on which (i) the last sale price of the Common Stock on 20 of the 30 immediately preceding trading days equals or exceeds 200% of the conversion price; (ii) the shares issuable upon conversion of the 2012 Notes are eligible for resale under an effective registration statement and/or Rule 144 promulgated under the Securities Act of 1933, as amended, without restriction as to volume or manner of sale, and (iii) the ADTV during such 30 trading day period equals or exceeds \$500,000.

If an event of default as defined in the 2012 Notes exists, the holder may declare the entire principal of, and all interest accrued and unpaid on, the 2012 Notes then outstanding to be due and payable.

For so long as the 2012 Notes are outstanding, without the prior written consent of the holders of at least a majority of the aggregate principal amount of the 2012 Notes, the Company may not:

- create, incur, assume or suffer to exist, any indebtedness, contingent and otherwise, which should, in accordance with generally accepted accounting principles consistently applied, be classified upon the Company's balance sheet as liabilities and which would be senior or pari passu in right of payment to the 2012 Notes, except for: (i) secured or unsecured debt issued to a bank or financial institution on commercially reasonable terms, or (ii) any other debt not to exceed \$5 million, individually, or in the aggregate;

and may not permit its subsidiaries to, engage in any transactions with any officer, director, employee or any affiliate of the Company, including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a

- substantial interest or is an officer, director, trustee or partner, in each case in excess of \$50,000, other than: (i) for payment of reasonable salary for services actually rendered, as approved by the Board of Directors of the Company as fair in all respects to the Company, (ii) reimbursement for expenses incurred on behalf of the Company (iii) transactions and written arrangements in existence on the date of the initial issuance of the 2012 Notes, and any amendments, modifications, cancellations, terminations, limitations and waivers approved by a majority of the independent disinterested directors of the Company; and

and may not permit any subsidiary to: (i) declare or pay any dividends or make any distributions to any holder(s) of Common

- Stock or such subsidiaries (other than dividends and distributions from a subsidiary to the Company) or (ii) purchase or otherwise acquire for value, directly or indirectly, any shares or other equity security of the Company, other than the 2012 Notes or 2012 Warrants.

The 2012 Warrants are exercisable at \$5.00 per share, subject to weighted average adjustment for issuance below the exercise price, subject to certain exceptions. Additionally, the Exercise Price may not be adjusted below \$0.25. Cashless exercise is permitted if the average trading volume of the Common Stock during at least five (5) of the ten (10) consecutive trading days immediately preceding the date of the notice of exercise is at least 10,000 shares, and will be based upon the average of the last sale price of the Common Stock during the five (5) consecutive trading days prior to the notice of exercise. In certain instances, a holder shall not be permitted to exercise the 2012 Warrants if such exercise would result in such holder's total ownership of the Company's Common Stock exceeding 4.9%. The 2012 Warrants expire on June 14, 2017.

The Company valued the 2012 Warrants and the BCF at \$1,956,517 each for a total of \$3,913,034 recorded as a discount to the convertible debt. This discount will be amortized over the life of the 2012 Notes or until such time as the 2012 Notes are repaid or converted, or upon exercise of the 2012 Warrants. The valuation of the 2012 Warrants and BCF were determined using the Black-

Scholes option pricing model with the following weighted assumptions for all debt issuances: i) expected dividend rate of 0% ii) expected volatility of 53.43% iii) risk free interest rate of 0.9% and expected term of 5 years. During the year ended September 30, 2012 the Company has amortized \$219,708 of the of debt discount.

In connection with the 2012 Offering, the Company paid a placement agent and another registered broker-dealer cash fees of approximately \$351,000 in the aggregate. The Company issued warrants to the placement agent (the “2012 Placement Agent Warrants”) to purchase an aggregate of 54,800 shares of Common Stock, which expire on June 14, 2017. The 2012 Placement Agent Warrants contain substantially the same terms as those issued to subscribers.

The Company also entered into a registration rights agreement with the subscribers. Pursuant to the registration rights agreement, the Company agreed to file a registration statement within 90 days after the final closing date of the 2012 Offering which occurred on July 13, 2012 (the “Closing Date”) to register for resale the shares of Common Stock issuable upon conversion of the 2012 Notes and exercise of the 2012 Warrants and 2012 Placement Agent Warrants (collectively, the “2012 Registrable Shares”). In the event that the SEC limits the number of 2012 Registrable Shares that may be included in the registration statement, the Company shall include only those 2012 Registrable Shares permitted by the SEC and shall file additional registration statements at the earliest practical date as the Company is permitted to do so in accordance with SEC guidelines. The Company shall use its best efforts to cause (i) the registration statement to be effective within 150 days of the Closing Date, and (ii) any additional registration statements to be declared effective within 90 days of the required filing date.

In the event that a registration statement is not filed or declared effective by the SEC by the applicable deadline, the Company will pay to the holders of 2012 Registrable Shares an amount equal to 1% of the original principal amount of the investor’s 2012 Note, multiplied by a fraction with the numerator equal to the number of 2012 Registrable Shares that were required to be included in the registration statement which is not so filed, declared effective or maintained and otherwise are unsold at the time of such failure and the denominator equal to the sum of the total number of shares issued or issuable to the Investor upon conversion of the 2012 Notes and exercise of the 2012 Warrants purchased pursuant to the subscription agreement and owned by such holder.

December 2012 Offering

On December 28, 2012, the Company accepted \$3,000,000 in subscriptions to purchase 6% convertible promissory notes due on December 31, 2017 (“December 2012 Notes”) in the aggregate principal amount of \$3,000,000 and warrants to 600,000 purchase common stock (“December 2012 Warrants”) of the Company, par value \$.001 per share (“Common Stock”) in a private placement (the “December 2012 Offering”) for aggregate gross cash proceeds of \$3,000,000. For each \$100,000 invested, a subscriber was issued a \$100,000 principal amount December 2012 Note and December 2012 Warrants to purchase 20,000 shares of the Company’s Common Stock. The Company issued the December 2012 Notes and December 2012 Warrants pursuant to the subscription agreements entered into with each of the subscribers.

In connection with the December 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the December 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
The Estate of Gene Mulvihill (1)	\$ 1,000,000	200,000
Heather Mulvihill (2)	\$ 100,000	20,000
MRP Holdings LLC (3)	\$ 100,000	20,000
Albert Behler (4)	\$ 250,000	50,000
Burton I Koffman (5)	\$ 145,000	29,000
Alexandria Equities, LLC (6)	\$ 250,000	50,000

- Gail Mulvihill, the administrator of the estate and individual who exercises shared voting and investment power over the
- (1) shares, is a principal stockholder and mother of Christopher Mulvihill, the Company’s President and a principal stockholder of the Company.
 - (2) Heather Mulvihill is the sister-in-law of Christopher Mulvihill, the Company’s President and a director and principal stockholder of the Company.

- (3) MRP Holdings LLC is owned by Mark Patterson, the Company's Chief Executive Officer and a director and principal stockholder of the Company.
- (4) Albert Behler is a principal stockholder of the Company.
- (5) Directly and indirectly through various entities he controls. Burton I Koffman is a principal stockholder of the Company.
- (6) Alexandria Equities, LLC is a principal stockholder of the Company.

The December 2012 Notes are convertible into Common Stock at \$5.00 per share, subject to full ratchet adjustment for issuances of common stock or common stock equivalents below the conversion price, subject to certain exceptions. Additionally, the conversion price may not be adjusted below \$0.25.

Interest accrues on the December 2012 Notes at 6% per annum. Interest is payable quarterly, commencing on March 31, 2013. At the Company's option, interest may be payable in: (i) cash or (ii) shares of the Common Stock. If the Company elects to pay interest in shares of its Common Stock on an interest payment date, the number of shares issuable will be equal to the quotient obtained by dividing the amount of accrued and unpaid interest payable on such interest payment date by the lesser of: (i) the conversion price, and (ii) the average of the last sale price of the Common Stock during the ten (10) consecutive trading days ending on the fifth (5th) trading day immediately preceding such interest payment date (the "Average Price"), if the average daily trading volume (the "ADTV") of the Common Stock for the ten (10) trading days prior to the interest payment date is less than \$100,000 per day, provided, however if the ADTV is equal to or greater than \$100,000, it will be the Average Price, and not the conversion price.

The outstanding principal amount of the December 2012 Notes and accrued and unpaid interest thereon will automatically convert into a number of shares of Common Stock determined by dividing the outstanding principal amount of the Notes plus accrued and unpaid interest thereon, by the conversion price in effect on the mandatory conversion date. The mandatory conversion date is the date on which (i) the last sale price of the Common Stock on 20 of the 30 immediately preceding trading days equals or exceeds 200% of the conversion price; (ii) the shares issuable upon conversion of the December 2012 Notes are eligible for resale under an effective registration statement and/or Rule 144 promulgated under the Securities Act of 1933, as amended, without restriction as to volume or manner of sale, and (iii) the ADTV during such 30 trading day period equals or exceeds \$500,000.

If an event of default as defined in the December 2012 Notes exists, the holder may declare the entire principal of, and all interest accrued and unpaid on, the December 2012 Note then outstanding to be due and payable.

The December 2012 Warrants are exercisable at \$5.00 per share, subject to weighted average adjustment for issuance below the exercise price, subject to certain exceptions. Additionally, the Exercise Price may not be adjusted below \$0.25. Cashless exercise is permitted if the average trading volume of the Company's Common Stock during at least five (5) of the ten (10) consecutive trading days immediately preceding the date of the notice of exercise is at least 10,000 shares, and will be based upon the average of the last sale price of the Common Stock during the five (5) consecutive trading days prior to the notice of exercise. In certain instances, a holder shall not be permitted to exercise the Warrant if such exercise would result in such holder's total ownership of the Company's Common Stock exceeding 4.9%. The December 2012 Warrants expire on December 31, 2017.

The foregoing brief summary of the December 2012 Notes and December 2012 Warrants is not intended to be complete and is qualified in its entirety by reference to the documents which will be filed with the Securities and Exchange Commission.

The securities sold in the December 2012 Offering have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

Results of Operations

Fiscal Year 2012 Compared to Fiscal Year 2011

Revenues were \$1,145,294 for the fiscal year ended September 30, 2012 compared with \$1,591,948 for the fiscal year ended September 30, 2011, for a decrease of \$446,654. The decrease was due to the rail-based parking system project that commenced in fiscal 2010 being substantially complete in the fiscal year ended September 30, 2011. This revenue was recognized using the percentage of completion method.

Cost of goods sold were \$2,818,382 for the fiscal year ended September 30, 2012 compared with \$3,241,531 for the fiscal year ended September 30, 2011, for a decrease of \$423,149. The decrease was due to the rail-based parking system project that commenced in fiscal 2010 being substantially complete in the fiscal year ended September 30, 2011. The Company recognized a gross loss of \$1,673,088 and \$1,649,583 for the years ended September 30, 2012 and September 30, 2011, respectively, which included an expense of \$502,629 and \$188,484, respectively, as a provision for the remaining loss estimated to be incurred on our first rail-based project. As a result of this being the first automated parking project of its size that we have executed, we had a limited ability to properly estimate the time and resources required to fully design, engineer, manufacture, ship, install, and commission prior to executing the project, and as a result our costs exceeded revenues. However, during the fiscal year ended September 30, 2012, the Company substantially completed a second automated parking project that is projected to be profitable.

Sales and marketing expenses were \$1,321,056 during the fiscal year ended September 30, 2012 compared with \$2,176,724 during the fiscal year ended September 30, 2011, for a decrease of \$855,668. The decrease was primarily the result of incurring a non-cash expense of \$1,000,000 for the issuance of stock options during the fiscal year ended September 30, 2011. Advertising expenses for the fiscal year ended September 30, 2012 and 2011 were \$164,620 and \$242,717 respectively. As of September 30, 2012, the Company employed four full-time salesmen and one full-time support person, whose salaries are recorded under sales and marketing expenses.

General and administrative expenses were \$7,388,872 during the fiscal year ended September 30, 2012 compared with \$9,003,046 during the fiscal year ended September 30, 2011, for a decrease of \$1,614,174. This decrease was primarily due to a reduction of approximately \$3,250,000 in non-cash expenses incurred in connection with issuances of stock options and warrants for the fiscal year ended September 30, 2011. Offsetting this reduction were increases of approximately \$940,000 of costs related to fund raising, approximately \$450,000 of payroll and payroll related expenses, and an increase of approximately \$200,000 related to professional fees.

Research and development expenses were \$1,557,898 during the fiscal year ended September 30, 2012 compared with \$2,202,020 during the fiscal year ended September 30, 2011, for a decrease of \$644,122. This decrease was due to less resources being needed to complete existing research and development projects during the fiscal year ended September 30, 2012.

Depreciation and amortization was \$297,961 during the fiscal year ended September 30, 2012 compared to \$52,006 during the fiscal year ended September 30, 2011, for an increase of \$245,955. \$173,231 of this increase was the result of placing the demonstration facility at Crystal Springs into service. The remainder of this increase is depreciation on additional fixed assets purchased during the fiscal year ended September 30, 2012.

Interest expense was \$755,954 during the fiscal year ended September 30, 2012, compared with \$113,657 during the fiscal year ended September 30, 2011, for an increase of \$642,297. This increase is due to an increase in outstanding indebtedness due to the issuance of Notes in the Offering in November and December 2011 and the 2012 Offering in June and July 2012.

Financing costs were \$0 for the year ended September 30, 2012, compared with \$3,899,866 for the year ended September 30, 2011. The expenses incurred during the fiscal year ended September 30, 2011 were non-cash charges for the issuance of warrants related to drawing down on a line of credit.

As of January 11, 2013, we had fifteen contracts. Two contracts, for a rack and rail parking projects, were in the process of being implemented. Thirteen additional outstanding contracts, all of which are for projects awaiting various approvals and financing which, if obtained, are expected to generate revenue in the future for the Company. Because it is uncertain as to whether any of these projects will ever receive the permitting or financing required to move forward, there can be no assurances that these contracts will generate any revenue. Of these thirteen contracts, one is for a rack and rail self-storage system, one is for a design contract for a RoboticValet parking system and the other eleven are for RoboticValet parking systems.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires our management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We continually evaluate the accounting policies and estimates we use to prepare the consolidated financial statements. We base our estimates on historical experiences and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management.

The Company has identified the accounting policies below as critical to our business operations and the understanding of our results of operations.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of Boomerang Systems, Inc. and the accounts of all majority-owned subsidiaries. The consolidated balance sheet is a classified presentation, which distinguishes between current and non-current assets and liabilities. The Company believes that a classified balance sheet provides a more meaningful presentation consistent with the business cycles of the Company's operations. All significant inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents- For purposes of the statement of cash flows, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts – Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We determine this allowance based on known troubled accounts, history and other currently available evidence. Accordingly, we have recorded an allowance for doubtful accounts of \$155,781 and \$0 at September 30, 2012 and 2011, respectively.

Property and equipment – Property, plant and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Costs of major additions and betterments are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives which range from three years to fifteen years. Depreciation and amortization for the years ended September 30, 2012 and September 30, 2011 was \$297,961 and \$52,006, respectively.

Research and development – Pursuant to ASC 730, *Research and Development*, research and development costs are expensed as incurred. Research and development costs for the years ended September 30, 2012 and 2011 were \$1,557,898 and \$2,202,020, respectively.

Inventories - Inventories consisting of parts, materials, and assemblies are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Stock-based compensation - We adopted ASC 718-10-25, using the modified-prospective-transition method on February 7, 2008. Under this method, we are required to recognize compensation cost for stock-based compensation arrangements with employees and directors based on their grant date fair value using the Black-Scholes option-pricing model, such cost to be expensed over the compensations' respective vesting periods. For awards with graded vesting, in which portions of the award vest in different periods, we recognize compensation costs over the vesting periods using the straight-line method. For calculating the value for warrants, the Black-Scholes method is also used.

Inherent in determining the fair value of options are several judgments and estimates that must be made. These include determining the underlying valuation methodology for share compensation awards and the related inputs utilized in each valuation, such as our expected stock price volatility, expected term of the options granted to employees and consultants, expected dividend yield, the expected risk-free interest rate, the underlying stock price and the exercise price of the option. Changes to these assumptions could result in different valuations for individual share awards. The company uses the Black-Scholes option pricing model to determine the fair value of options granted to employees, non-employee directors and non-employee consultants.

Revenue recognition – Revenues from the sales of RoboticValet and rack and rail systems will be recognized using the percentage of completion method, whereby revenue and the related gross profit is determined by comparing the actual costs incurred to date for the project to the total estimated project costs at completion.

Project costs generally include all material and shipping costs, our direct labor, subcontractor costs and an allocation of indirect costs related to the direct labor. Changes in the project scope, site conditions, staff performance and delays or problems with the equipment used on the project can result in increased costs that may not be billable or accepted by the customer and a loss or lower profit from what was originally anticipated at the time of the proposal.

Estimates for the costs to complete the project are periodically updated by management during the performance of the project. Provisions for changes in estimated costs and losses, if any, on uncompleted projects are made in the period in which such losses are determined.

When the current estimate of total contract costs exceeds the current estimate of total contract revenues, a provision for the entire loss on the contract is made. Losses are recognized in the period in which they become evident under the percentage-of-completion method. The loss is computed on the basis of the total estimated costs to complete the contract, including the contract costs incurred to date plus the estimated costs to complete. As of September 30, 2012, it was estimated that the gross loss on current contracts would be \$3,998,970. This loss is comprised of \$3,496,341 recognized through the percentage of completion method for the year ended September 30, 2012, and \$502,629 as a provision for the remaining losses on contracts.

Revenues of \$1,145,294 and \$1,591,948 have been recognized for the years ended September 30, 2012 and 2011, respectively.

The Company may have service contracts in the future after the contract warranty period is expired, which are separate and distinct agreements from project agreements and will be billed according to the terms of the contract.

Warranty Reserves - The Company provides warranty coverage on its products for a specified time as stipulated in its sales contracts. As revenues for contracts are recognized, the Company will record a warranty reserve for estimated costs in connection with future warranty claims. The amount of warranty reserve is based primarily on the estimated number of products under warranty and historical costs to service warranty claims. Management periodically assesses the adequacy of the reserves based on these factors and adjusts the reserve accordingly. The Company incurred warranty expense of \$377,619 and \$0 in fiscal years 2012 and 2011, respectively, relating to its completed projects.

Earnings Per Common Share - We adopted ASC 260. The statement established standards for computing and presenting earnings per share ("EPS"). It replaced the presentation of primary EPS with a basic EPS and also requires dual presentation of basic and diluted EPS on the face of the income statement. Basic income/(loss) per share was computed by dividing our net income/ (loss) by the weighted average number of common shares outstanding during the period.

Investment at Equity - The Company accounts for the equity investment using the equity method unless its value has been determined to be other than temporarily impaired, in which case we write the investment down to its impaired value. The Company reviews this investment periodically for impairment and makes appropriate reductions in carrying value when other-than-temporary decline is evident; however, for non-marketable equity securities, the impairment analysis requires significant judgment. During its review, the Company evaluates the financial condition of the issuer, market conditions, and other factors providing an indication of the fair value of the investment. Adverse changes in market conditions or operating results of the issuer that differ from expectation could result in additional other-than-temporary losses in future periods.

Income Taxes - We account for income taxes under ASC 740-10. ASC 740-10 requires an asset and liability approach for financial reporting for income taxes. Under ASC 740-10, deferred taxes are provided for temporary differences between the carrying values of assets and liabilities for financial reporting and tax purposes at the enacted rates at which these differences are expected to reverse. The Company and its subsidiaries file a consolidated Federal income tax return.

Use of Estimates - Management of the Company has made estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Estimates are used in accounting for, among other items, allowance for doubtful accounts, inventory obsolescence, warranty expense, income taxes and percentage of completion contracts. Actual results could differ from these estimates.

Impairment of Long-Lived Assets - We review the long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine if impairment exists, we compare the estimated future undiscounted cash flows from the related long-lived assets to the net carrying amount of such assets. Once it has been determined that an impairment exists, the carrying value of the asset is adjusted to the fair value. Factors considered in the determination of the fair value include current operating results, trends and the present value of estimated expected future cash flows.

Derivative liability - The Company accounts for reset provisions in connection with their issuance of debt, and reset provisions of equity instruments attached to their debt, in accordance with Emerging Issues Task Force ("EITF") Consensus No. 07-5 "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock" (EITF 07-5"). Under EITF 07-5, instruments which contain full ratchet anti-dilution provisions are no longer considered indexed to a company's own stock for purposes of determining whether it meets the first part of the scope exception in paragraph 11 (a) of FASB 133 "Accounting for Derivative Instruments and Hedging Activities", now promulgated in ASC 815, "Derivative and Hedging". Under ASC 815 the Company is required to (1) evaluate an instrument's contingent exercise provisions and (2) evaluate the instrument's settlement provisions.

Fair Value Measurements - As defined in FASB ASC Topic 820 – 10, "Fair Value Measurements and Disclosures," fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 – 10 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements.

As required by FASB ASC Topic 820 – 10, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments in this ASU are effective during interim and annual periods beginning after December 15, 2011. The adoption of this ASU is not expected to have a material impact on the consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the consolidated financial statements of the Company.

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Act of 1996

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Exchange Act of 1934. These forward-looking statements are largely based on our current expectations and projections about future events and conditions affecting our business, the markets for our products and customer acceptance of our products and conditions in the construction industry. Such forward-looking statements include, in particular, among others, projections about our future results included in our Exchange Act reports, statements about our plans, liquidity, working capital, strategies, business prospects, changes and trends in our business and the markets in which we operate and intend to operate. These forward-looking statements may be identified by the use of terms and phrases such as "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "plans", "projects", "targets", "will", "anticipates", and similar expressions or variations of these terms and similar phrases. Comments about our critical need for additional capital and our ability to raise such capital when and as needed and on acceptable terms are forward-looking statements. Additionally, statements concerning future matters such as the costs and expenses we expect to incur, our ability to realize material revenues, delays we may encounter in selling our products and gaining market acceptance for our products, the cost of the further development of our products, estimating costs for fixed cost contracts and achieving enhancements or improved technologies, achieving material sales levels, marketing expenses, projected cash flows, our intentions regarding raising additional capital and when additional capital may be required, and other statements regarding matters that are not historical are forward-looking statements. Management cautions that these forward-looking statements relate to future events or our future financial performance and are subject to business, economic, and other risks and uncertainties, both known and unknown, that may cause actual results, levels of activity, performance or achievements of our business or our industry to be materially different from those expressed or implied by any forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include without limitation those discussed under Item 1A - Risk Factors, as well as those discussed elsewhere in this Annual

Report. The cautionary statements should be read as being applicable to all forward-looking statements wherever they appear in this Annual Report and they should also be read in conjunction with the consolidated financial statements, including the related footnotes.

Neither management nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. All forward-looking statements in this Annual Report are made as of the date hereof, based on information available to us as of the date hereof, and subsequent facts or circumstances may contradict, obviate, undermine, or otherwise fail to support or substantiate such statements. We caution you not to rely on these statements without also considering the risks and uncertainties associated with these statements and our business that are addressed in this Annual Report. Certain information included in this Annual Report may supersede or supplement forward-looking statements in our other Exchange Act reports filed with the Securities and Exchange Commission. We assume no obligation to update any forward-looking statement to conform such statements to actual results or to changes in our expectations, except as required by applicable law or regulation

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

As a smaller reporting company, we are not required to respond to this Item.

Item 8. Financial Statements and Supplementary Data.

The following financial statements are attached hereto. See pages F-1, et. seq.

Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets - September 30, 2012 and 2011	F-2
Consolidated Statements of Operations - Years ended September 30, 2012 and 2011	F-3
Consolidated Statements of Stockholders' Equity (Deficit) - Years ended September 30, 2012 and 2011	F-4
Consolidated Statements of Cash Flows - Years ended September 30, 2012 and 2011	F-5
Notes to Consolidated Financial Statements	F-6-25

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

The Company, under the supervision and with the participation of its management, including its principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our company's principal executive officer and chief financial officer have concluded that our disclosure controls and procedures were not effective as of September 30, 2012 in reaching a reasonable level of assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure due to our inability to record, process, summarize and report within the time periods specified in the SEC's rules and forms. We are currently taking measures to educate our staff to enable us to record, process, summarize and report on a timely basis.

The Company's principal executive officer and principal financial officer also conducted an evaluation of internal control over financial reporting ("Internal Control") to determine whether any changes in Internal Control occurred during the quarter (the Company's fourth fiscal quarter in the case of an annual report) that have materially affected or which are reasonably likely to materially affect Internal Control. Based on that evaluation, there has been no such change during the quarter covered by this report.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The Company conducts periodic evaluations to enhance, where necessary its procedures and controls.

Management's Report on Internal Control over Financial Reporting

The management of Boomerang Systems, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2012. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on the Company's assessment, it believes that, as of September 30, 2012, the Company's internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Item 9B. Other Information.

N/A

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

Our directors and executive officers and their ages as of September 30, 2012 are as follows:

Name	Title	Age
Mark Patterson	Chief Executive Officer and Director	52
Christopher Mulvihill	President and Director	42
Scott Shepherd	Chief Financial Officer	44
David Koch	Chief Operating Officer	59
Maureen Cowell	Secretary and Director	46
Stanley J. Checketts	Director and Chief Executive Officer of Boomerang Sub, Inc.	71
Joseph R. Bellantoni	Director	50
Steven C. Rockefeller, Jr.*	Director	52
Kevin M. Cassidy*	Director	56
Anthony P. Miele, III*	Director	41

*Independent Director

Directors and Executive Officers

Each director serves for a term of one year and until his or her successor is duly elected and qualified.

All of our directors bring to our Board executive leadership experience derived from their service as senior executives and, in many cases, founders of industry or knowledge specific consulting firms or operational businesses. Some offer extensive public company board experience. Each of our board members has demonstrated strong business acumen and an ability to exercise sound judgment and has a reputation for integrity, honesty and adherence to ethical standards. When considering whether directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of the company's business and structure, the Corporate Governance and Nominating Committee and the Board of Directors focused primarily on the information discussed in each of the Directors' individual biographies and the specific individual qualifications, experience and skills as described below:

Mark Patterson. Mr. Patterson is the Chief Executive Officer and a Director of our company and has served in such capacity since August 2010. From January of 2009 until joining the Company in June of 2010 as an Executive Vice President, Mr. Patterson was a real estate consultant. Until January of 2009, Mr. Patterson was a Managing Director and the Head of Real Estate Global Principal Investments at Merrill Lynch, where he oversaw the real estate principal investing activities of Merrill Lynch. Mr. Patterson joined Merrill Lynch in April 2005 as the Global Head of Real Estate Investment Banking and in 2006 also became the Co-Head of Global Commercial Real Estate which encompassed real estate investment banking, principal investing and mortgage debt. Prior to joining Merrill Lynch, Mr. Patterson spent 16 years at Citigroup where he held numerous positions including the Global Head of Real Estate Investment Banking since 1996. Mr. Patterson is a member of the Board of Directors of General Growth Properties, a company traded on the New York Stock Exchange under the symbol GGP. During his career, Mr. Patterson has been involved in a wide variety of financing and investing activities that have spanned virtually all types of real estate in most major global property markets. Mr. Patterson's day to day leadership of our company, as Chief Executive Officer, provides him with intimate knowledge of our business, results of operations and financial condition. Mr. Patterson, as a result of experience in the real estate investment banking industry, provides unique insights into our target customers as well as our challenges and opportunities.

Christopher Mulvihill. Mr. Mulvihill has been employed as President and Manager of Sales and Marketing of our company since February 2008, and prior thereto served in that capacity for Boomerang Utah from January 2007 to February 2008. Mr. Mulvihill was appointed as a Director of our company in May 2011. From August 2005 to January 2007, he was employed by The Active Network, Inc., a provider of online registration software and event management software, as the Director of Business Development for Golf. From January 2002 to July 2005, Mr. Mulvihill was the founder and President of Tee Time King, Inc., a provider of golf reservation, inventory management and point of sale software, which grew to become the country's largest municipal golf course reservation company before being sold to The Active Network, Inc. in August 2005. As President of our company, Mr. Mulvihill provides

significant experience in sales, management and commercial issues associated with technology based businesses which comprise an important aspect of our business.

Scott Shepherd. Mr. Shepherd has served as our chief financial officer since January 18, 2012. Prior thereto, he served as our controller from February 2011 until January 2012. Mr. Shepherd served as corporate controller for heavy equipment manufacturer and distributor, Komatsu Equipment Company, from July 2009 to February 2011. From May 2008 to July 2009, he served as Chief Financial Officer for The Levitin Group, an online, interactive computer based training company. He worked for Eskay Corporation (subsequently merged with Daifuku America Corporation), a global automated material handling company from 1995 to 2008 and served as its Chief Financial Officer from 2000 until May 2008.

David Koch. Mr. Koch is the Chief Operating Officer of our company and has served in such capacity since August 2011. He has been involved in the Automated Materials Handling Industry for over 34 years. Mr. Koch has held positions of Sr. Mechanical Engineer, Principle Systems Engineer, Sr. Project Manager, Sr. VP of Engineering, Sales, and Marketing as well as Co-Founder & President of ESKAY Corporation (a joint venture with Daifuku Materials Handling Co.) in North America from 1990 to 2005. From September 2005 to October 2010, Mr. Koch served as the Director of Sales and Marketing for Power Automation System, a company specializing in automated storage and transportation systems, and from October 2010 to July 2011, Director of Business Development for the North American Division of Dematic Corporation, an automated material handling company. Mr. Koch has extensive experience in logistics and automated warehousing, distribution and manufacturing across all industries and has experience working with companies in North America, Europe and Asia. Mr. Koch has also served in many volunteer leadership positions for over 20 years in the Materials Handling Industry of America (MHIA) most recently served on the Roundtable Advisory Committee to the board of governors.

Maureen Cowell. Ms. Cowell was the Secretary of Digital Imaging Resources, Inc. since July 2007 and has remained so through the merger with Boomerang in February 2008. Ms. Cowell also became a Director of Boomerang on April 14, 2009. Ms. Cowell is also employed as Vice President of North Jersey Management Services, Inc., a private company providing accounting and financial record-keeping services to various companies, including Crystal Springs, since December 1995. Ms. Cowell has managed dozens of small private development stage corporations since 1992. Ms. Cowell has a comprehensive knowledge of accounting, financial reporting, financial strategies, corporate governance and compliance.

Stanley J. Checketts. Mr. Checketts has served as our Director and the Chief Executive Officer and director of our wholly-owned subsidiary, Boomerang Sub, Inc., positions he has held since February, 2008. Prior thereto, he was the founder and Chief Executive Officer of S&S Worldwide, Inc., or S&S, from 1994 to 2009. S&S is a world leader in the design, development, marketing and sale of roller coasters and family thrill rides for the amusement industry and conducts its business activities both domestically and internationally. Mr. Checketts has commenced developing, manufacturing and selling amusement rides through Stan Checketts Properties. Mr. Checketts had encountered success in his past endeavors and brings insight to our challenges, along with strong leadership skills.

Joseph R. Bellantoni. Mr. Bellantoni has served as a director since February 2008. Mr. Bellantoni was Chief Financial Officer and a Director of Digital Imaging Resources, Inc. from January 2007 until we acquired it and then served as our Chief Financial Officer from February 2008 until January 2012. Mr. Bellantoni previously served as a director of Digital Imaging Resources, Inc. and as its Treasurer from April 1995 until November 2004. Mr. Bellantoni has also served as President of North Jersey Management Services, Inc, a private company providing accounting and financial record-keeping services, since December 1995. North Jersey Management provides accounting and financial services to Crystal Springs. Mr. Bellantoni possesses extensive knowledge of accounting, corporate governance, corporate compliance, financial reporting and financial strategies, which has been an asset to our company in its development stage and ongoing operations.

Steven C. Rockefeller, Jr. Mr. Rockefeller has been a Director Since February 2010. He currently serves as Chairman and Chief Executive Officer of Rose Rock Capital where he has worked since 2010. Rose Rock Capital is a family-owned Hong Kong holding company in the business of fund management and development for real estate and infrastructure in China. In 2010, Mr. Rockefeller was honored to accept appointment from Executive Vice Chairman Xiao Wunan as Co-Chairman of the Asia Pacific Exchange & Cooperation Foundation (APECF), which, among other things, focuses on development of Non Governmental Organizations public policy, religious respect and understanding, and philanthropy. Since 2009 Mr. Rockefeller has served as a Visiting Professor at Nankai University. From 2000 to 2004, Mr. Rockefeller was a Board Member of Grameen Foundation and Chairman of its Development Committee, and since 2009, Mr. Rockefeller has served as Special Advisor on poverty alleviation to the Chairman of Rimbunan Hijau Group in Sibul, Malaysia. In recognition of his lifelong dedication to poverty alleviation, Mr. Rockefeller received a Fulbright Award. Mr. Rockefeller currently serves on the board of directors of two private companies, BioChemics (since 2005) and Tracer (since 2008). Since 2009, Mr. Rockefeller has served on the advisory board of Sparta Commercial Services, Inc. From 1999 to 2004, Mr. Rockefeller served as a Managing Director of Deutsche Bank. Mr. Rockefeller has a broad range of experience across many industries, including international real estate, and we believe he provides valuable insight to our Board.

Kevin M. Cassidy. Mr. Cassidy has served as our Director since May 2010. Mr. Cassidy is currently the Managing Member of Logic International Consulting Group, LLC, a consulting firm he formed in October, 1996, that specializes in the development of global trading businesses and the creation of the requisite infrastructure, management and support paradigms of said platforms. From September 2002 to December 2008, Mr. Cassidy was a Partner and Chief Operating Officer of Archeus Capital Management, LLC, which is a multi-strategy hedge fund. Mr. Cassidy's knowledge in a range of business functions, including raising capital, leasing and corporate administration, provides insight to our Board.

Anthony P. Miele, III. Mr. Miele has served as our Director since May 2010. Mr. Miele has been a Partner of White Honey, which offers a full spectrum of professional photography of luxury fragrances for high profile clients, since August 2009. Mr. Miele was employed by Ricoh Business Solutions as an Account Executive from August 2006 to July 2009. Mr. Miele was formerly employed by Tyco ADT Security Systems as a Small Business Sales Representative from August 2005 to June 2006. Prior thereto, Mr. Miele was a sales trader on the New York Stock Exchange from August 2003 to August 2005. Through his past work experiences, Mr. Miele has been involved with companies that were in all stages of development which provides the Company with useful insight.

Section 16(a) Beneficial Ownership Reporting Compliance

To our knowledge, based solely on a review of Forms 3 and 4 and any amendments thereto furnished to our company pursuant to Rule 16a-3(e) under the Securities Exchange Act of 1934, or representations that no Forms 5 were required all Section 16(a) filing requirements applicable to our officers, directors and beneficial owners of more than 10% of our equity securities were timely filed except that the following reports were not timely filed during the fiscal year ended September 30, 2012: Forms 4 were not timely filed for four transactions by Gail Mulvihill, three transactions by Mark Patterson, three transactions by Chris Mulvihill, five transactions by Stan Checketts, three transactions by Dave Koch and five transactions by Burton I. Koffman.

Code of Ethics

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial and accounting officer, controller and persons performing similar functions. A copy of our Code of Ethics was filed as an exhibit to our Current Report on Form 8-K filed December 28, 2009. We will provide to any person, without charge, upon request, a copy of such Code of Ethics, as amended. Requests should be addressed to Mr. Scott Shepherd, Chief Financial Officer at our address appearing on the cover page of this Annual Report on Form 10-K.

Audit Committee and Audit Committee Financial Expert

Our Board of Directors has appointed an Audit Committee which consists of Messrs. Rockefeller and Cassidy. Each of such persons has been determined to be an "independent director" under the listing standards of the NASDAQ Capital Market, which is the independence standard that was adopted by our Board of Directors. Mr. Cassidy has been appointed as the Company's Audit Committee Financial Expert by our Board of Directors. The Audit Committee operates under a written charter adopted by our Board of Directors. The Audit Committee assists the Board of Directors by providing oversight of the accounting and financial reporting processes of the Company, appoints the independent registered public accounting firm, reviews with the registered independent registered public accounting firm the scope and results of the audit engagement, approves professional services provided by the independent registered public accounting firm, reviews the independence of the independent registered public accounting firm, considers the range of audit and non-audit fees and reviews the adequacy of internal accounting controls.

Item 11. Executive Compensation.

The following table sets forth the compensation of our principal executive officer and our other most highly compensated executive officers (who we collectively refer to as "named executive officers") who received total compensation exceeding \$100,000 for the year ended September 30, 2012 and who served in such capacity at September 30, 2012.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation	All Other Compensation	Total
		(\$)	(\$)	(\$)	\$(1)	(\$)	(\$)	(\$)	(\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Mark Patterson	2012	200,000	-0-	-0-	786,296(2)	-0-	-0-	-0-	986,296
Chief Executive Officer	2011	200,000	-0-	-0-	4,202,406(2)	-0-	-0-	-0-	4,402,406
Christopher Mulvihill	2012	150,000	-0-	-0-	-0-	-0-	-0-	-0-	150,000
President and Manager of Sales and Marketing	2011	150,000	-0-	-0-	1,000,000(3)	-0-	-0-	-0-	1,150,000
Dave Koch	2012	150,000	-0-	50,001(4)	-0-	-0-	-0-	-0-	200,001
Chief Operating Officer	2011	20,192	-0-	-0-	-0-	-0-	-0-	-0-	20,192

Represents the grant date fair value in accordance with ASC 718 (formerly FAS 123R). See Note 10 to Notes to Financial

- (1) Statements for the year ended September 30, 2011 for a description of valuation assumptions used in the calculation of grant date fair value.
- (2) During fiscal year 2012, a total of 390,000 warrants to purchase shares of the Company's common stock, exercisable at \$5.00, vested pursuant to Mr. Patterson's CEO employment agreement. The Company recognized \$786,296 in expense for these issuances.
- (3) During fiscal year 2011, a total of 970,000 warrants to purchase shares of the Company's common stock, exercisable at \$5.00, vested per Mr. Patterson's CEO employment agreement. The Company recognized \$4,202,406 in expense for these issuances.
- (4) In October 2010, Mr. Mulvihill received 200,000 options to purchase the Company's common stock exercisable at \$5.00 per share.
- (5) On April 11, 2012, the Company issued 11,765 shares of common stock to Dave Koch, our COO, pursuant to his employment agreement as payment for services provided. These shares of stock were issued at \$4.25 per share and the Company recorded an expense of \$50,001 related to this issuance.

Narrative Disclosure to Summary Compensation Table

Employment Agreements

In June 2010, the Company entered into an employment agreement with Mark Patterson to serve as our Executive Vice President. As part of the compensation, the Company issued warrants to purchase 140,000 shares of common stock with an exercise price of \$5.00 per share. The Company has agreed to pay all Federal and State income taxes incurred by the Executive as a result of receiving the common shares and recognized \$700,000 in expense for the issuance of these common shares. In addition, the Company recognized \$315,000 in expense for the related tax effect of the above transaction. Mr. Patterson was also issued 140,000 warrants in June 2010 pursuant to his employment agreement. The Company recognized \$699,998 in expense for the issuance of these warrants. These warrants were cancelled during the fourth quarter of 2010 and this agreement was subsequently amended and restated in October 2010 to include warrants to purchase a total 280,000 shares of common stock exercisable at \$0.25 per share.

On August 21, 2010, the Company entered into an Employment Agreement with Mark Patterson, to serve as the Company's Chief Executive Officer, which was amended and restated on October 1, 2010. The amended agreement provides for a base salary of \$200,000 and provides for a grant of an aggregate of 1,080,000 five-year warrants with an exercise price of \$5.00 per share that vested and became exercisable as to 270,000 shares on October 1, 2010, and vest and become exercisable as to 210,000 shares on each of February 1 and August 1, 2011 and February 1, 2012, and 180,000 shares on August 1, 2012. The amended agreement provides Mr. Patterson with a right of first refusal, pursuant to which Mr. Patterson has the right, but not the obligation, to maintain his then pro rata share of the Company's issued and outstanding shares and warrants by purchasing additional shares and warrants each time the Company offers shares and/or warrants for sale.

Mr. Mulvihill is employed as our President and Manager of Sales and Marketing pursuant to a five-year agreement, as amended, expiring on October 31, 2016. Pursuant to the agreement, Mr. Mulvihill receives a commission of 3% of the gross sales of our products, with a non-refundable advance against commissions of \$60,000 per year. As additional compensation, the Company agreed to grant Mr. Mulvihill options to purchase 200,000 shares vesting immediately, exercisable at \$5.00 per share for a term of 10 years. These options were granted in October 2010.

The Company entered into an employment agreement with David Koch on October 28, 2011, effective as of August 1, 2011. The agreement will continue in effect until terminated by us or Mr. Koch. Mr. Koch is the Company's Chief Operating Officer. His compensation package includes an annual base salary of \$150,000, a stock bonus of 11,765 shares of common stock after being employed with the Company for six months which would vest after one year of employment and a discretionary stock option grant upon a favorable performance review after his one year anniversary. We will reimburse him up to \$2,000 per month for travel.

Non-compete Agreement

Mr. Checketts is a party to a Non-Compete Agreement with us dated December 10, 2007. The agreement was entered into in connection with our acquisition of Boomerang Utah. He has agreed that for a period expiring three years after the date of termination of his employment he will not use his technical knowledge concerning our business for the benefit of any other company or party engaged in our business in the United States. In addition, he has agreed that during the period of this restriction he will keep secret and retain in confidence and will not use in competition with us any of our confidential information.

Outstanding Equity Awards at September 30, 2012

The following table reflects the equity awards granted by us to the Named Executive Officers that remain outstanding at September 30, 2012:

Name and Grant Date	Equity Awards				Option Expiration Date
	Number of Securities Underlying Unexercised Options/Warrants (#) Exercisable	Number of Securities Underlying Unexercised Options/Warrants (#) Unexercisable	Option Exercise Price (\$)		
Mark Patterson October 1, 2010	1,080,000(1)	-	\$ 5.00		October 1, 2015
Mark Patterson November 12, 2010	280,000(1)	-	\$ 5.00		November 11, 2015
Christopher Mulvihill October 6, 2010	200,000(1)	-	\$ 5.00		October 5, 2020
Stanley J. Checketts February 15, 2010	250,000(1)	-	\$ 2.00		February 14, 2020

(1) These options are fully vested and currently exercisable.

Director Compensation

Our directors received no cash compensation during the years ended September 30, 2012 and September 30, 2011, other than the compensation paid to our named executive officers who are also directors, which is reflected in the Summary Compensation Table above.

Our Directors are reimbursed for their out-of-pocket expenses incurred in connection with attending meetings.

Compensation Committee

Our Board of Directors has appointed a Compensation Committee consisting of Messrs. Miele and Rockefeller. Each of such persons has been determined to be an "independent director" under the listing standards of the NASDAQ Capital Market. Our Board of Directors has adopted a written Compensation Committee Charter that sets forth the committee's responsibilities. The committee is responsible for determining all forms of compensation for our executive officers, and establishing and maintaining executive compensation practices designed to enhance long-term stockholder value.

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

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of January 11, 2013, information with respect to each person (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) who is known to us to be the beneficial owner of more than five percent of our Common Stock as well as the number of shares of Common Stock beneficially owned by all of our Directors, each of our named executive officers identified in the Summary Compensation Table above, and all our Directors and executive officers as a group. The percentages have been calculated on the basis of treating as outstanding for a particular holder, all shares of our Common Stock outstanding on said date and all shares issuable to such holder in the event of exercise of outstanding options, warrants or conversion of notes held by such holder at said date. As of January 11, 2013, we had 7,559,694 shares of Common Stock outstanding.

Unless otherwise indicated, the address for each of the above is c/o Boomerang Systems, Inc., 30 B Vreeland Road, Florham Park, NJ 07932.

Name of Beneficial Owner	Number of Shares Beneficially Owned ⁽¹⁾	Percentage of Common Stock Outstanding ⁽¹⁾
Mark R. Patterson	2,298,719 ⁽²⁾	24.1%
Christopher Mulvihill	1,254,588 ⁽³⁾	14.9%
Stanley J. Checketts	1,016,512 ⁽⁴⁾	12.7%
Scott Shepherd	-	-
David Koch	42,486 ⁽⁵⁾	*
Joseph R. Bellantoni	37,667 ⁽⁶⁾	*
Maureen Cowell	27,534 ⁽⁷⁾	*
Anthony P. Miele, III	93,527 ⁽⁸⁾	1.2%
Steven Rockefeller, Jr.	60,000 ⁽⁹⁾	*
Kevin Cassidy	-	-
All Directors and Executive Officers as a Group (10 persons)	4,831,033	43.3%
Other 5% Stockholders		
Gail Mulvihill	3,809,004 ⁽¹⁰⁾	38.8%
Lake Isle Corp.	2,153,689 ⁽¹¹⁾	23.8%
Burton I. Koffman	1,991,653 ⁽¹²⁾	23.3%
Venturetek, LP	1,719,435 ⁽¹³⁾	20.6%
HSK Funding, Inc.	1,606,311 ⁽¹⁴⁾	19.2%
Stan Checketts Properties, LLC	766,512 ⁽¹⁵⁾	9.8%
Albert Behler	868,416 ⁽¹⁶⁾	10.6%
J and A Financing Inc	671,322 ⁽¹⁷⁾	8.5%
Sail Energy LLC	479,881 ⁽¹⁸⁾	6.1%
MRP Holdings LLC	449,879 ⁽¹⁹⁾	5.6%

Alexandria Equities, LLC	509,602 ⁽²⁰⁾	6.3%
James Mulvihill	468,921 ⁽²¹⁾	6.0%

* Less than 1%

- (1) This tabular information is intended to conform with Rule 13d-3 promulgated under the Securities Exchange Act of 1934 relating to the determination of beneficial ownership of securities. Unless otherwise indicated, the tabular information gives effect to the exercise of warrants or options exercisable within 60 days of January 11, 2013, owned in each case by the person or group whose percentage ownership is set forth opposite the respective percentage and is based on the assumption that no other person or group exercise their option.

- (2) Includes 190,000 shares held by Mr. Patterson, 1,410,000 shares issuable upon exercise of warrants held by Mr. Patterson, 10,813 shares held by MRP Holdings LLC ("MRP"), over which Mr. Patterson exercises sole voting and investment control, 169,533 shares issuable upon the conversion of outstanding convertible notes held by MRP, 269,533 shares issuable upon the exercise of warrants held by MRP, 101,780 shares held by Mark R. Patterson Revocable Trust ("Patterson Trust"), over which Mr. Patterson exercises sole voting and investment control, 23,530 shares issuable upon the conversion of outstanding convertible notes held by Patterson Trust and 123,530 shares issuable upon the exercise of warrants held by Patterson Trust. All warrants and notes are exercisable or convertible within 60 days of January 11, 2013.

- (3) Includes 351,764 shares owned directly by Mr. Mulvihill and 20,000 shares owned by Great Delaware & American, Inc. over which Mr. Mulvihill exercises sole voting and investment control. Also includes 341,412 shares issuable upon the conversion of outstanding convertible notes held by Mr. Mulvihill, 200,000 shares issuable on exercise of options and 341,412 shares issuable on exercise of warrants, all of which are exercisable or convertible within 60 days of January 11, 2013.

- (4) Includes 250,000 shares issuable upon exercise of options issued to Mr. Checketts, 381,591 shares held by Stan Checketts Properties, LLC ("SCP"), over which Mr. Checketts exercises sole voting and investment control, 31,429 shares issuable upon the conversion of outstanding convertible notes held by SCP, 77,219 shares issuable upon the exercise of warrants held by SCP, 88,229 shares held by SB&G Properties L.L.C. ("SB&G"), which is owned, in part, by SCP, 51,945 shares issuable upon the conversion of outstanding convertible notes held by SB&G, and 136,099 shares issuable upon the exercise of warrants held by SB&G. All of the options, notes and warrants are exercisable or convertible within 60 days of January 11, 2013.

- (5) Includes 11,765 shares held by Mr. Koch directly and 721 shares held jointly by Mr. Koch and his wife, 15,000 shares issuable upon the conversion of outstanding convertible notes held by Mr. Koch and his wife and 15,000 shares issuable upon exercise of outstanding warrants exercisable within 60 days of January 11, 2013.

- (6) Includes 167 shares held by Mr. Bellantoni's father as to which Mr. Bellantoni disclaims beneficial ownership. Also includes 37,500 shares issuable on exercise of options exercisable within 60 days of January 11, 2013.

- (7) Includes 27,534 shares issuable on exercise of options exercisable within 60 days of January 11, 2013.

- (8) Includes 73,750 shares owned directly by Mr. Miele and Heather Miele and 19,777 shares issuable upon exercise of warrants received from the August 2008 Post-Maturity warrants held by Mr. Miele and Heather Miele exercisable within 60 days of January 11, 2013.

- (9) This includes 60,000 shares issuable on exercise of warrants exercisable within 60 days of January 11, 2013.

- (10) Includes 760,034 shares held by Mrs. Mulvihill, 15,400 shares issuable upon the exercise of warrants held by Mrs. Mulvihill, 134,637 shares held by Sail Energy LLC ("Sail Energy"), over which Mrs. Mulvihill exercises sole voting and investment control, 172,622 shares issuable upon the conversion of outstanding convertible notes held by Sail Energy, 172,622 shares issuable upon the exercise of warrants held by Sail Energy, 226,954 shares held by Lake Isle Corp. ("Lake Isle"), over which Mrs. Mulvihill exercises sole voting and investment control, 414,570 shares issuable upon the conversion of outstanding convertible notes held by Lake Isle, 564,570 shares issuable upon the exercise of warrants held by Lake Isle, 200,000 shares issuable upon the conversion of outstanding convertible notes held by the Estate of Gene Mulvihill ("Mulvihill Estate") over which Mrs. Mulvihill is the administrator and individual who exercises shared voting and investment power, 200,000 shares issuable upon the conversion of outstanding warrants held by the Mulvihill Estate, 88,229 shares held by SB&G, which is owned, in part, by Lake Isle, 51,945 shares issuable upon the conversion of outstanding convertible notes held by SB&G, 136,099 shares issuable upon the exercise of warrants held by SB&G, 335,661 shares held by J and A Financing Inc., ("J&A"), which is owned, in part, by Lake Isle, and 335,661 shares issuable upon the exercise of warrants held by J&A, all of which are

exercisable or convertible within 60 days of January 11, 2013. The address for J&A, Sail Energy and Lake Isle is 3621 Route 94, 2nd Floor, Hamburg, NJ 07419.

(11) Includes 226,954 shares held by Lake Isle, over which Gail Mulvihill exercises sole voting and investment control, 414,570 shares issuable upon the conversion of outstanding convertible notes held by Lake Isle, 564,570 shares issuable upon the exercise of warrants held by Lake Isle, 88,229 shares held by SB&G, which is owned, in part, by Lake Isle, 51,945 shares issuable upon the conversion of outstanding convertible notes held by SB&G, 136,099 shares issuable upon the exercise of warrants held by SB&G, 335,661 shares held by J&A, which is owned, in part, by Lake Isle, and 335,661 shares issuable upon the exercise of warrants held by J&A, all of which are exercisable or convertible within 60 days of January 11, 2013. The address for Lake Isle is 3621 Route 94, 2nd Floor, Hamburg, NJ 07419.

(12) This information is based in part on a Schedule 13G filed with the Securities and Exchange Commission on November 13, 2009. Includes 6,228 shares owned directly by Mr. Koffman, 31,000 shares issuable upon the conversion of outstanding convertible notes held by Mr. Koffman, 33,500 shares issuable upon exercise of warrants held by Mr. Koffman, 4,592 shares owned by Public Loan Company, 4,176 shares owned by The K-6 Family Limited Partnership, 20,000 shares owned by 300 Plaza Drive Associates, 25,000 shares owned by New Valu, Inc., 139,846 shares owned by IA 545 Madison Assoc., 58,000 shares issuable upon conversion of outstanding convertible notes held by IA 545 Madison Assoc., 63,000 shares issuable upon exercise of warrants held by IA 545 Madison Assoc., 378,657 shares owned by HSK Funding Inc., referred to as HSK, 59,765 shares issuable upon the conversion of outstanding convertible notes held by HSK, 220,294 shares issuable upon exercise of warrants held by HSK, 88,229 shares held by SB&G, which is owned, in part, by HSK, 51,945 shares issuable upon the conversion of outstanding convertible notes held by SB&G, 136,099 shares issuable upon the exercise of warrants held by SB&G, 335,661 shares held by J&A, which is owned, in part, by HSK, and 335,661 shares issuable upon the exercise of warrants held by J&A, all of which are exercisable or convertible within 60 days of January 11, 2013. Mr. Koffman exercises voting and investment control of all securities held by these entities. The address for Mr. Koffman is 300 Plaza Drive, Vestal, NY 13850.

(13) David Selengut is the natural person who exercises voting and investment control over the shares held by Venturetek, LP ("Venturetek"). Includes 514,860 shares owned directly by Venturetek, 68,815 shares issuable upon the conversion of outstanding convertible notes held by Venturetek, 188,165 shares issuable upon exercise of warrants held by Venturetek, 88,229 shares held by SB&G, which is owned, in part, by Venturetek, 51,945 shares issuable upon the conversion of outstanding convertible notes held by SB&G, 136,099 shares issuable upon the exercise of warrants held by SB&G, 335,661 shares held by J&A, which is owned, in part, by Venturetek, and 335,661 shares issuable upon the exercise of warrants held by J&A, all of which are exercisable or convertible within 60 days of January 11, 2013. The address for Venturetek is c/o Nesher LLC, P.O. Box 339, Lawrence, NY 11559.

(14) Includes 378,657 shares held by HSK, 59,765 shares issuable upon the conversion of outstanding convertible notes held by HSK, 220,294 shares issuable upon exercise of warrants held by HSK, 88,229 shares held by SB&G, which is owned, in part, by HSK, 51,945 shares issuable upon the conversion of outstanding convertible notes held by SB&G, 136,099 shares issuable upon the exercise of warrants held by SB&G, 335,661 shares held by J&A, which is owned, in part, by HSK, and 335,661 shares issuable upon the exercise of warrants held by J&A, all of which are exercisable or convertible within 60 days of January 11, 2013. The address for HSK is 300 Plaza Drive, Vestal, NY 13850.

(15) Includes 381,591 shares held by SCP, over which Mr. Checketts exercises sole voting and investment control, 31,429 shares issuable upon the conversion of outstanding convertible notes held by SCP, 77,219 shares issuable upon the exercise of warrants held by SCP, 88,229 shares held by SB&G, which is owned, in part, by SCP, 51,945 shares issuable upon the conversion of outstanding convertible notes held by SB&G, and 136,099 shares issuable upon the exercise of warrants held by SB&G. All of the warrants and notes are exercisable or convertible within 60 days of January 11, 2013. The address for SCP is P.O. Box 55, Providence, UT 84332.

(16) Includes 219,370 shares owned directly by Mr. Behler, 169,523 shares issuable upon the conversion of outstanding convertible notes and 479,523 shares issuable upon exercise of warrants, all of which are exercisable or convertible within 60 days of January 11, 2013.

- (17) Includes 335,661 shares held directly by J&A and 335,661 shares issuable upon exercise of warrants exercisable within 60 days of January 11, 2013. The address for J&A is 3621 Route 94, 2nd Floor, Hamburg, NJ 07419.
- (18) Includes 134,637 shares held directly by Sail Energy, 172,622 issuable upon conversion of outstanding convertible notes and 172,622 shares issuable upon exercise of warrants, all exercisable or convertible within 60 days of January 11, 2013. The address for Sail Energy is 3621 Route 94, 2nd Floor, Hamburg, NJ 07419.
- (19) Includes 10,813 shares held directly by MRP, 169,533 shares issuable upon conversion of outstanding convertible notes and 269,533 shares issuable upon exercise of warrants, all of which are exercisable or convertible within 60 days of January 11, 2013.
- (20) Includes 9,602 shares held directly by Alexandria Equities, LLC, 250,000 shares issuable upon conversion of outstanding convertible notes and 250,000 shares issuable upon exercise of warrants, all of which are exercisable or convertible within 60 days of January 11, 2013.
- (21) Includes 50,384 shares held directly by Mr. Mulvihill, 29,686 shares held by Sunset Group PSP ("Sunset Group"), of which Mr. Mulvihill is the Trustee, 59,745 shares issuable upon conversion of outstanding convertible notes held by Sunset Group, 109,745 shares issuable upon exercise of warrants held by Sunset Group, 69,161 shares held by his wife, Heather Mulvihill, 40,000 shares issuable upon conversion of outstanding convertible notes held by Heather Mulvihill and 110,200 shares issuable upon exercise of warrants held by Heather Mulvihill, all of which are exercisable or convertible within 60 days of January 11, 2013.

Equity Compensation Plan Information -The following table provides information as of September 30, 2012 with respect to our compensation plans (including individual compensation arrangements), under which securities are authorized for issuance aggregated as to (i) compensation plans previously approved by stockholders, and (ii) compensation plans not previously approved by stockholders.

Equity Compensation Plan Information as of September 30, 2012

(a) Plan Category	(b) Number of securities to be issued upon exercise of outstanding options, warrants and rights (cumulative)	(c) weighted average exercise price of outstanding options, warrants and rights	(d) number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans - <i>approved by security holders</i>	-0-	N/A	-0-
Equity compensation plans - <i>not approved by security holders</i>	2,108,244(1)	\$ 4.86	-0-
Total	2,108,244	\$ 4.86	-0-

(1) On November 28, 2007, our Board of Directors granted options to purchase an aggregate of 75,385 shares of common stock to persons who were or became officers, directors or consultants to our company. These options are exercisable at \$18.00 per share. Such options have a term of ten years. The option price and number of shares issuable on exercise of the options are subject to anti-dilution adjustment under certain circumstances.

In May 2009, options to purchase 50,000 shares were granted to three persons who are employees of our company. All 50,000 options have a term of five years and are subject to vesting, whereby the options become exercisable with respect to 25% of the shares subject to the options at the end of 18 months after the acquisition of Boomerang Utah was completed and with respect to an additional 25% at the end of each succeeding six-month period until such options are fully exercisable.

In October 2009, options to purchase 26,000 shares were granted to three persons who are employees of our company. All 26,000 options have a term of five years and are fully vested with an exercise price of \$2.00 per share.

In February 2010, options to purchase 290,000 shares were granted to three officers of our company. All 290,000 options have a term of ten years and are fully vested with an exercise price of \$2.00 per share.

During February & March 2010, warrants to purchase 60,000 shares were granted to a director of our company. The warrants have a term of five years with an exercise price of \$2.00 per share.

In October 6, 2010, options to purchase 200,000 shares were granted to Mr. Christopher Mulvihill as part of his employment agreement. All 200,000 options have a term of ten years and are fully vested with an exercise price of \$2.00 per share.

In November 2010, warrants to purchase 5,000 shares were granted to a consultant of our company. The warrants have a term of five years with an exercise price of \$5.00 per share.

During fiscal years 2011 and 2012, warrants to purchase 1,360,000 shares were granted to Mr. Mark Patterson as part of his employment agreement with our company. The warrants have a term of five years with an exercise price of \$5.00 per share.

In June 2012, warrants to purchase an aggregate of 16,059 shares were granted to consultants of our company. The warrants have a term of five years with an exercise price of \$4.25 per share.

In September 2012, warrants to purchase an aggregate of 25,800 shares were granted to consultants of our company. The warrants have a term of five years with an exercise price of \$5.00 per share.

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

HSK Funding, Inc., Lake Isle Corp., and Venturtek, LP, are beneficial holders of shares of our company's common stock and certain of their members and stockholders are also the members of SB&G Properties, LC. ("SB&G"), which is the landlord under a lease with us. Gail Mulvihill, the individual who exercises sole voting and investment control over Lake Isle Corp., is the mother of Christopher Mulvihill, our President, and is a principal stockholder of our company. SB&G entered into a lease with Boomerang Utah dated October 1, 2008, relating to premises located at 324 West 2450 North, Building A, Logan, Utah ("Building A"). The Company assumed this lease in February 2008. The initial term of the lease was for one year with an annual rent of \$260,610 plus real property and school taxes. In addition, Boomerang is obligated to pay for all utilities, repairs and maintenance to the property. The approximately 29,750 square foot leased premises are used for Boomerang's manufacturing activities. On March 15, 2010, Boomerang and SB&G agreed to maintain these terms until September 30, 2011. This lease has been extended on a month-to-month basis. On November 1, 2011, deferred rental payments totaling \$220,763 were refinanced as part of the Offering. Deferred rental payments totaling \$176,610 have been accrued as of September 30, 2012 and classified as due to related party on our balance sheet.

Stan Checketts Properties ("SCP"), a company owned by the chief executive officer of Boomerang's wholly owned subsidiary, Boomerang Sub, Inc., entered into a lease with Boomerang Utah dated October 1, 2008 for premises located at 324 West 2450 North, Building B, Logan, Utah. The Company assumed this lease in February 2008. The initial term of the lease was for one year at a fixed annual rent of \$157,680 plus real property and school taxes. In addition, Boomerang is obligated to pay for all utilities and for repairs and maintenance to the property. The approximately 18,000 square foot leased premises are, in addition to Building A, also used for Boomerang's manufacturing activities. We are currently leasing an additional 2,400 square feet of office and conference room space with Stan Checketts Properties for \$1,800 per month. On March 15, 2010, Boomerang and SCP agreed to maintain these terms until September 30, 2011. On October 28, 2011, Boomerang and SCP amended the terms of the lease to provide for a monthly payment of \$14,940, effective as of October 1, 2011, and to extend the lease on a month-to-month basis. On November 1, 2011, deferred rental payments totaling \$133,571 were refinanced as part of the Offering.

SB&G is obligated on a twenty-year promissory note due August 1, 2027 owing to Zions Bank. The principal amount due was \$736,025 as of September 30, 2012, and the note bears interest at 3.807% per annum. The promissory note is collateralized by the real property

that is the subject of the lease from SB&G to Boomerang Utah. Boomerang, the Estate of Gene Mulvihill and Messrs. Stan Checketts and Burton Koffman ("Koffman") are the joint and several guarantors of this promissory note. Gene Mulvihill was the husband of Gail Mulvihill and the father of Christopher Mulvihill, the President of the Company.

The Estate of Gene Mulvihill and Mr. Koffman are the guarantors of a financing lease entered into on September 1, 2007 between Boomerang Utah and a nonaffiliated bank. The lease relates to certain equipment used by Boomerang Utah in its manufacturing operations. The total cost of the equipment was approximately \$900,000. The rental was payable in sixty monthly installments of approximately \$12,750, through August 31, 2012. At that time, Boomerang Utah had the option to purchase the equipment for approximately \$315,000 or refinance it for an additional twenty four months. Boomerang refinanced the rental over twenty four months and has the option to purchase the equipment for \$1 at the conclusion of the lease term. The lease commences on January 1, 2013 and ends on December 1, 2014, with twenty four monthly installments of approximately \$13,890.

The Company used the services of Coordinate Services, Inc. for product development. The owner of Coordinate Services, Inc., is Gene Mulvihill, Jr., the brother of Christopher Mulvihill, our President, and the son of Gail Mulvihill. The amount of this expense for the twelve months ended September 30, 2012 and 2011 was \$152,192 and \$158,879 respectively; which is recorded under research and development expenses.

The Company reimbursed North Jersey Management Services, Inc. for payroll related expenses for the services of Joseph Bellantoni, the former Chief Financial Officer of the Company, and Maureen Cowell, the Company's Corporate Secretary. Mr. Bellantoni is also the President and Mrs. Cowell is the Vice President of North Jersey Management Services, Inc. Mr. Bellantoni and Ms. Cowell are directors of the Company. The amount of this expense for the twelve months ended September 30, 2012 and 2011 was \$78,000 and \$78,000 respectively; which is recorded under general and administrative expenses.

In April 2010, we entered into a twenty-year ground lease with Route 94 Development Corporation ("Route 94") to lease a portion of an approximately fifteen acre parcel in the town of Hamburg, located in Hardyston Township, New Jersey, on which we constructed a RoboticValet parking facility. The leased property is adjacent to Grand Cascades Lodge ("Cascades"), a hotel within the Crystal Springs Golf and Spa Resort ("the Resort"). The parking facility was constructed by Crystal Springs Builders, LLC ("Builders"). It is intended that this facility will be used by us primarily for demonstration and marketing purposes in the eastern portion of the United States. In consideration of the benefits to us under the terms of the lease, we agree to provide to the lessor and its affiliates parking and storage space within the facility at no cost to the lessor and its affiliates subject to our right to use the facility for demonstration purposes. In addition, we are required to pay the operating costs, premiums on the insurance required under the terms of the lease and incremental property taxes resulting from our construction of the facility. For a period of 60 months, commencing five years after execution of the lease, the lessor has the option to purchase the facility from us and we have a right to cause the lessor to buy from us the facility we construct. The price to be paid by the lessor upon exercise of its option to purchase the facility is 110% of the greater of (i) the depreciated value of the facility, or (ii) the fair market value of the facility, and the price to be paid by the lessor upon exercise of our right to cause the lessor to buy the facility is \$1.00.

The Resort owns and operates seven golf courses, two hotels and a fitness facility and develops real estate in Sussex County NJ, which is comprised of more than 40 additional entities, including the above named entities. Gail Mulvihill owns 50% of each of Builders, Cascades and Route 94 and, indirectly, through these and various other entities, Gail Mulvihill and her family own approximately 50% of the Resort. Except as set forth above, no other officer, director or 5% or greater stockholder of the Company has any equity interest in Builders, Cascades or Route 94. The Company incurred expenses of \$0 and approximately \$1,074,440 payable to Builders during the year ended September 30, 2012 and 2011, respectively. The Company incurred expenses of approximately \$115,000 and \$82,000 payable to Cascades for the year ended September 30, 2012 and 2011, respectively. No expenses were incurred for Route 94 during the year ended September 30, 2012 and 2011.

On May 14, 2010, the Company entered into a 6% convertible line of credit for up to \$1,300,000 with Sail Energy, a company owned by Gail Mulvihill, who has sole voting and investment control. In May 2011, it was agreed between the Company and Sail Energy that there would be no additional borrowing under this line of credit. On November 1, 2011, outstanding principal and interest totaling \$300,142 was refinanced as part of the Offering.

In July 2010, Venturetek, LP, a principal stockholder of the Company, entered into a 6% convertible promissory note with the Company for \$273,000. On November 1, 2011, outstanding principal and interest totaling \$292,461 was refinanced as part of the Offering.

From March to May 2011, the Company drew down the entire balance on its line of credit of \$3,250,000. In connection with the draw down, the Company issued notes in an aggregate amount of \$2,000,000 to four related parties. On November 1, 2011, outstanding principal and interest totaling approximately \$2,028,000 was refinanced as part of the Offering.

In October 2011, Atlantic and Madison of NJ Corp, a company owned by Gail Mulvihill, loaned the Company an aggregate of \$376,000 with the understanding that upon finalization of the documents related to a private placement by the Company, this loan would be considered an investment in such private placement. On October 28, 2011, Atlantic and Madison of NJ Corp caused the \$300,000 bank note to be paid in full. Accordingly, the Company became indebted to Atlantic and Madison of NJ Corp for an additional \$300,000. The loans did not bear interest and had no repayment terms.

On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill. On November 1, 2011, this outstanding debt was refinanced as part of the Offering.

On October 28, 2011, Lake Isle Corp caused the \$1,000,000 bank line of credit to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000, and this debt was refinanced on November 1, 2011, as part of the Offering.

On November 1, 2011, Mark Patterson, our Chief Executive Officer, loaned us \$100,000 with the understanding that upon finalization of the documents related to a private placement by the Company, this loan would be considered an investment in such private placement. The debt outstanding under this loan was refinanced on November 18, 2011, as part of the Offering. The loan did not bear interest and had no repayment terms.

In connection with the Offering, the following officers, directors, 5% stockholders and affiliates of the Company refinanced indebtedness in the amounts and for the Notes and Warrants listed below.

Name	Indebtedness Converted	Notes issued in Offering	Warrants issued in Offering
HSK Funding Inc. ⁽¹⁾	\$ 254,000	\$ 254,000	59,765
Lake Isle Corporation ⁽²⁾	\$ 1,761,917	\$ 1,761,917	414,570
Christopher Mulvihill ⁽³⁾	\$ 1,451,000 ⁽¹¹⁾	\$ 1,451,000	341,412
James Mulvihill TTEE Sunset Group Inc. PSP ⁽⁴⁾	\$ 253,917 ⁽¹²⁾	\$ 253,917	59,745
MRP Holdings LLC and Mark R Patterson Revocable Trust ⁽⁵⁾	\$ 608,014	\$ 608,014	143,063
Sail Energy LLC ⁽⁶⁾	\$ 300,142	\$ 300,142	70,622
Stan Checketts Properties, LLC ⁽⁷⁾	\$ 133,571	\$ 133,571	31,429
SB&G Properties LLC ⁽⁸⁾	\$ 220,763	\$ 220,763	51,945
Venturetek L.P. ⁽⁹⁾	\$ 292,461	\$ 292,461	68,815
Albert Behler ⁽¹⁰⁾	\$ 507,972	\$ 507,972	119,523

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- (1) HSK Funding Inc. is a principal stockholder and a member of SB&G Properties LLC. Gail Mulvihill, the individual who exercises sole voting and investment control over Lake Isle Corporation, is the mother of
- (2) Christopher Mulvihill, the Company's President, and is a principal stockholder. Lake Isle Corporation is a member of SB&G Properties LLC.
- (3) Christopher Mulvihill is the Company's President and director.
- (4) James Mulvihill is the brother of Christopher Mulvihill and son of Gail Mulvihill.
- (5) MRP Holdings LLC, and Mark R Patterson Revocable Trust are owned by Mark Patterson, the Company's Chief Executive Officer and director.
- (6) Sail Energy LLC is owned by Gail Mulvihill.

- (7) Stan Checketts Properties, LLC. is owned by Stan Checketts, the Chief Executive Officer of the Company's wholly owned subsidiary and director of the Company, and is a principal stockholder. Stan Checketts Properties is a member of SB&G Properties LLC.
- (8) SB&G Properties LLC is owned by HSK Funding Inc., Stan Checketts Properties, Lake Isle Corporation and Venturetek L.P.
- (9) Venturetek L.P. is a principal stockholder and a member of SB&G Properties LLC.
- (10) Albert Behler is a principal stockholder of the Company.
- (11) Included in this balance is \$1,000,000 of indebtedness resulting from a bank line of credit that Lake Isle Corp. caused to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000.
- (12) On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill.

During the quarter ended June 30, 2012, the Resort paid \$50,000 to the Company for the purchase of mechanical parking equipment that will be provided by Boomerang-Stokes Mechanical Parking LLC. As of September 30, 2012, the Company has paid the amount in full to Boomerang-Stokes Mechanical Parking LLC.

In connection with the 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
MRP Holdings LLC(1)	\$ 150,000	30,000
Sail Energy, LLC(2)	\$ 510,000	102,000
Heather Mulvihill(3)	\$ 100,000	20,000
IA 545 Madison Assoc.(4)	\$ 250,000	50,000
Burton I. Koffman (4)	\$ 50,000	10,000
David Kent and Christine W. Koch(5)	\$ 75,000	15,000
Alexandria Equities, LLC (6)	\$ 1,000,000	200,000

- (1) Mark R. Patterson, the sole member of MRP Holdings LLC, is the Company's Chief Executive Officer and a director.
- (2) Sail Energy, LLC is owned by Gail Mulvihill, a principal stockholder and mother of Christopher Mulvihill, the Company's President and director.
- (3) Heather Mulvihill is the sister-in-law of Christopher Mulvihill and daughter-in-law of Gail Mulvihill.
- (4) Burton I. Koffman, a partner of IA 545 Madison Assoc., is a principal stockholder of the Company.
- (5) David Kent Koch is the Company's Chief Operating Officer.
- (6) Alexandria Equities, LLC became a principal stockholder of the Company as a result of this purchase.

In connection with the December 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the December 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
The Estate of Gene Mulvihill (1)	\$ 1,000,000	200,000
Heather Mulvihill (2)	\$ 100,000	20,000
MRP Holdings LLC (3)	\$ 100,000	20,000
Albert Behler (4)	\$ 250,000	50,000
Burton I Koffman (5)	\$ 145,000	29,000
Alexandria Equities, LLC (6)	\$ 250,000	50,000

- Gail Mulvihill, the administrator of the estate and individual who exercises shared voting and investment power over the
- (1) shares, is a principal stockholder and mother of Christopher Mulvihill, the Company's President and a principal stockholder of the Company.

- (2) Heather Mulvihill is the sister-in-law of Christopher Mulvihill, the Company's President and a director and principal stockholder of the Company.
- (3) MRP Holdings LLC is owned by Mark Patterson, the Company's Chief Executive Officer and a director and principal stockholder of the Company.
- (4) Albert Behler is a principal stockholder of the Company.
- (5) Directly and indirectly through various entities he controls. Burton I Koffman is a principal stockholder of the Company.
- (6) Alexandria Equities, LLC is a principal stockholder of the Company.

Our management believes that the terms of the above transactions are as favorable to our company as could have been obtained from nonaffiliated persons at the time and under the circumstances as when the transactions were entered into.

Independence of the Board of Directors

We are not a "listed issuer" as such term is defined in Rule 10A-3 under the Exchange Act. We use the definition of independence of The NASDAQ Stock Market LLC. The board has determined that Messrs. Rockefeller, Cassidy and Miele are independent. Each current member of the Audit Committee, Compensation Committee and Nominating Committee is independent and meets the applicable rules and regulations regarding independence for such committee, including those set forth in pertinent NASDAQ listing standards, and that each member is free of any relationship that would interfere with his individual exercise of independent judgment.

Item 14. Principal Accounting Fees and Services

The following sets forth fees incurred by us during the fiscal years ended September 30, 2012 and 2011 for services provided by Liebman, Goldberg & Hymowitz, L.L.P., our independent registered public accounting firm ("Liebman"):

Year	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2012	\$ 76,915	\$ -	\$ 7,700	\$ -
2011	\$ 55,750	\$ -	\$ 4,950	\$ -

Audit Fees. The foregoing table presents the aggregate fees billed by Liebman for the audit of our annual financial statements and review of financial statements included in our Forms 10-Q for the fiscal years ended September 30, 2012 and 2011.

Tax Fees. The foregoing table also reflects the aggregate fees billed by Liebman for professional services rendered for tax compliance, tax advice and tax planning for the fiscal years ended September 30, 2012 and 2011.

Our Board of Directors believes that the provision of the services during the two years ended September 30, 2012 is compatible with maintaining the independence of Liebman. Our Board of Directors has not adopted any pre-approval policies and procedures for engaging an accountant to render audit or non-audit services that are subject to the pre-approval requirement. All of the above fees have been pre-approved by the Board of Directors.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

- 3.1 Certificate of Incorporation of Registrant, as amended (1)
- 3.2 Second Restated and Amended By-laws of Registrant (2)
- 4.1 Specimen Common Stock Certificate, \$0.001 par value (1)
- 10.1 Form of Warrant to Purchase Common Stock expiring August 2013 (3)
- 10.2 Shareholders Agreement between Tawreed Companies Representation and Boomerang USA Corp. (4)

- 10.3 Form of Common Stock Purchase Warrant issued and to be issued with respect to payment defaults on our 12% Promissory Notes (5)
- 10.4 Amended and Restated Executive Employment Agreement between Mark R. Patterson and Boomerang Systems, Inc., dated as of October 1, 2010 (6)
- 10.5 Lease agreement by and between SB&G Properties, L.C. and Boomerang Systems, Inc. dated as of October 1, 2007, Amendment No. 1 thereto dated October 1, 2008, and Amendment No. 2 thereto dated March 15, 2010 (7)
- 10.6 Lease agreement by and between Stan Checketts Properties, L.C. and Boomerang Systems, Inc. dated as of October 1, 2007, Amendment No. 1 thereto dated October 1, 2008 and Amendment No. 2 thereto dated March 15, 2010 (7)
- 10.7 Loan agreement by and between SB&G Properties and Zions First National Bank and Guaranty of such loan provided by Boomerang Systems, Inc dated July 9, 2007 (7)
- 10.8 Non-Compete Agreement by and between Stan Checketts and Digital Imaging Resources, Inc. dated December 10, 2007 (7)
- 10.9 Form of Warrant issued to the lenders signatory to the Commitment letter dated December 29, 2010 by and between Boomerang Systems, Inc. and the lenders signatory thereto (8)
- 10.10 Chris Mulvihill employment agreement dated March 31, 2008 and amendment #1 dated October 2010 (8)*
- 10.11 Ground Lease with Route 94, dated April 30, 2010 (9)
- 10.12 Equipment Lease with M&T Bank, dated September 1, 2007 and personal guarantees of the lease (8)
- 10.13 Form of 6% Convertible Subordinate Note due 2016 (10)
- 10.14 Form of Warrant (10)
- 10.15 Form of Placement Agent Warrant (10)
- 10.16 Form of Registration Rights Agreement issued by and among Boomerang Systems, Inc. and the Subscribers (10)
- 10.17 Employment Agreement between David K. Koch and Boomerang Systems, Inc., dated as of October 28, 2011 (1)*
- 10.18 Loan Agreement between Mark R. Patterson and Boomerang Systems, Inc. dated November 1, 2011 (11)
- 10.19 Third Amendment to the Lease between Stan Checketts Properties, L.C. and Boomerang Sub, Inc. dated October 28, 2011 (11)
- 10.20 Third Amendment to the Lease between SB&G Properties, LC and Boomerang Sub, Inc. dated October 1, 2011 (11)
- 10.21 Lease between Thirty Vreeland Associates, L.L.C. and Boomerang Systems, Inc. dated December 1, 2011 (11)
- 10.22 Loan Agreement between Lake Isle Corporation and Boomerang Systems, Inc. dated October 28, 2011 (11)
- 10.23 Loan Agreement between Atlantic & Madison of NJ Corp. and Boomerang Systems, Inc. dated October 31, 2011 (11)
- 10.24 Form of 6% Convertible Subordinate Note due June 14, 2017 (12)
- 10.25 Form of Warrant (12)

- 10.26 Form of Placement Agent Warrant (12)
- 10.27 Form of Registration Rights Agreement issued by and among Boomerang Systems, Inc. and the Subscribers (12)
- 10.28 Joint Venture Agreement between Boomerang MP Holdings and Stokes Industries (13)
- 10.29 Form of 6% Convertible Promissory Note due December 28, 2017 **
- 10.30 Form of Warrant **
- 10.31 Form of Subscription Agreement **
- 14 Code of Ethics (1)
- 21 Subsidiaries of the Registrant as of September 30, 2012 **
- 31.1 Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to Rule 13a-14(a) **
- 31.2 Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to Rule 13a-14(a) **
- 32.1 Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to Section 1350 (furnished, not filed) **
- 32.2 Certification of Chief Financial Officer (Principal Financial Officer) Pursuant to Section 1350 (furnished, not filed) **
- 101 XBRL The following materials from Boomerang Systems, Inc.'s Annual Report on Form 10-K for the year ended September 30, 2012 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Statements of Operations for the Years Ended September 30, 2012 and 2011, (ii) Consolidated Balance Sheets as of September 30, 2012 and 2011, (iii) Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 2012 and 2011, (iv) Consolidated Statements of Cash Flows for the Years Ended September 30, 2012 and 2011, and (v) Notes to Consolidated Financial Statements. ***
- (1) Incorporated by reference from an exhibit filed with the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2011.
- (2) Incorporated by reference from an exhibit filed with Quarterly Report on Form 10-Q for quarter ended December 31, 2009.
- (3) Incorporated by reference from an exhibit filed with the Company's Annual Report on Form 10-K/A for the fiscal year ended September 30, 2008.
- (4) Incorporated by reference from an exhibit filed with the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2009.
- (5) Incorporated by reference from an exhibit filed with the Company's Current Report on Form 8-K filed on October 28, 2009
- (6) Incorporated by reference from an exhibit filed with the Company's Current Report on Form 8-K filed on October 7, 2010
- (7) Incorporated by reference from an exhibit filed with the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2010.

- (8) Incorporated by reference from an exhibit filed with the Company's Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2011 filed on September 14, 2011.
- (9) Incorporated by reference from an exhibit filed with the Company's Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2011 filed on December 16, 2011.
- (10) Incorporated by reference from an exhibit filed with the Company's Current Report on Form 8-K filed on December 15, 2011.
- (11) Incorporated by reference from an exhibit filed with the Company's Registration Statement on Form S-1 (file no. 333-179226) filed on January 27, 2012.
- (12) Incorporated by reference from an exhibit filed with the Company's Current Report on Form 8-K filed on July 18, 2012.
- (13) Incorporated by reference from an exhibit filed with the Company's Registration Statement on Form S-1 (file no. 333-183904) filed on September 14, 2012.

* Denotes management compensation plan or arrangement.

** Filed herewith.

*** Pursuant to Rule 406T of Regulation S-T, the interactive data files included in Exhibit 101 are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Signatures

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

BOOMERANG SYSTEMS, INC.

By: /s/ MARK PATTERSON

Mark Patterson, Chief Executive Officer
Dated: January 11, 2013

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

Signature	Title	Date
/s/ MARK PATTERSON	Chief Executive Officer (principal executive officer) and Director	January 11, 2013
<hr/> Mark Patterson		
/s/ CHRISTOPHER MULVIHILL	President and Director	January 11, 2013
<hr/> Christopher Mulvihill		
/s/ JOSEPH R. BELLANTONI	Director	January 11, 2013
<hr/> Joseph R. Bellantoni		
/s/ MAUREEN COWELL	Secretary and Director	January 11, 2013
<hr/> Maureen Cowell		
/s/ STANLEY CHECKETTS	Director	January 11, 2013
<hr/> Stanley Checketts		
/s/ STEVEN C. ROCKEFELLER, JR.	Director	January 11, 2013
<hr/> Steven C. Rockefeller, Jr.		
/s/ KEVIN CASSIDY	Director	January 11, 2013
<hr/> Kevin Cassidy		
/s/ ANTHONY P. MIELE, III	Director	January 11, 2013
<hr/> Anthony P. Miele, III		

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Audit Committee
Boomerang Systems, Inc.
Florham Park, New Jersey

We have audited the accompanying consolidated balance sheets of Boomerang Systems, Inc. and Subsidiaries as of September 30, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the two year period ended September 30, 2012. Boomerang Systems Inc. and Subsidiaries management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boomerang Systems, Inc. and Subsidiaries as of September 30, 2012 and 2011, and the results of its operations and cash flows for each of the years in the two year period ended September 30, 2012, in conformity with its accounting principles generally accepted in the United States of America.

Liebman Goldberg & Hymowitz, LLP
Garden City, New York

January 11, 2013

BOOMERANG SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2012	September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,079,235	\$ 65,590
Restricted cash	81,671	-
Accounts receivable, net	70,744	411,336
Inventory	307,990	202,189
Prepaid expenses and other assets	58,557	37,993
Costs in excess of billings	475,654	521,213
Total current assets	<u>3,073,851</u>	<u>1,238,321</u>
Property, plant and equipment, net	<u>2,704,916</u>	<u>2,874,678</u>
Other assets:		
Note receivable	-	16,748
Security deposit	20,825	-
Investment at equity	230,195	139,836
Total other assets	<u>251,020</u>	<u>156,584</u>
Total assets	<u>\$ 6,029,787</u>	<u>\$ 4,269,583</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,888,924	\$ 1,635,353
Due to related party	176,610	-
Deposit payable	124,403	154,403
Billings in excess of costs and estimated earned profits on uncompleted contracts	5,147	-
Estimated loss on uncompleted contract	502,629	188,484
Debt- current portion	88,407	110,780
Total current liabilities	<u>2,786,120</u>	<u>2,089,020</u>
Long term liabilities:		
Debt- long term, net of discount	3,096,615	2,807,869
Debt- long term- related party, net of discount	2,332,191	3,425,334
Derivative liability	13,069,663	-
Total long term liabilities	<u>18,498,469</u>	<u>6,233,203</u>
Total liabilities	<u>21,284,589</u>	<u>8,322,223</u>
Stockholders' deficit:		
Preferred stock, \$0.01 par value; authorized shares 1,000,000; 0 shares issued and outstanding	-	-
Common stock, \$0.001 par value; authorized shares 400,000,000 and 400,000,000; 7,469,366 and 7,277,192 issued and outstanding	7,469	7,277
Additional paid in capital	54,972,338	48,752,581
Accumulated deficit	(70,234,609)	(52,812,498)
Total stockholders' deficit	<u>(15,254,802)</u>	<u>(4,052,640)</u>
Total liabilities and stockholders' deficit	<u>\$ 6,029,787</u>	<u>\$ 4,269,583</u>

See accompanying notes.

BOOMERANG SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Revenues:		
System sales	\$ 1,145,294	\$ 1,591,948
Total revenues	1,145,294	1,591,948
Cost of goods sold	2,818,382	3,241,531
Gross loss	(1,673,088)	(1,649,583)
Expenses:		
Sales and marketing	1,321,056	2,176,724
General and administrative expenses	7,388,872	9,003,046
Research and development	1,557,898	2,202,020
Depreciation and amortization	297,961	52,006
Total expenses	10,565,787	13,433,796
Loss from operations	(12,238,875)	(15,083,379)
Other income (expenses):		
Interest income	256	1,796
Interest expense	(755,954)	(113,657)
Other income	105,702	173,163
Financing costs	-	(3,899,866)
Loss on disposal of equipment	-	(1,893)
Loss on equity investment	(156,242)	(153,019)
Amortization of discount on convertible debt	(2,137,202)	-
Loss on fair value of derivative	(2,237,741)	-
Total other income (expenses)	(5,181,181)	(3,993,476)
Loss before provision for income taxes	(17,420,056)	(19,076,855)
Provision for income taxes	2,055	25,149
Net loss	\$ (17,422,111)	\$ (19,102,004)
Net loss per common share - basic and diluted	\$ (2.38)	\$ (2.68)
Weighted average number of shares - basic and diluted	7,329,410	7,117,078

See accompanying notes.

BOOMERANG SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Preferred Stock		Additional	Accumulated	
	Shares	Amount	Shares	Amount	Paid in Capital	Deficit	Total
Balance as of September 30, 2010	7,021,404	\$ 7,021	-	\$ -	\$ 37,053,920	\$ (33,710,494)	\$ 3,350,447
Options for Services					723,637		723,637
Issuance of Options - Officers					1,249,997		1,249,997
Issuance of Warrants - Consultant					25,000		25,000
Issuance of Warrants - Officer					4,202,406		4,202,406
Issuance of Warrants - Line of Credit					974,985		974,985
Issuance of Warrants - Line of Credit Draw					2,924,881		2,924,881
Issuance of Common Stock - Conversion of Debt	79,602	80			397,932		398,012
Issuance of Common Stock - November 2010 Private Placement	33,329	33			199,966		199,999
Issuance of Common Stock - February 2011 Private Placement	142,857	143			999,857		1,000,000
Net Loss						(19,102,004)	(19,102,004)
Balance as of September 30, 2011	7,277,192	\$ 7,277	0	\$ 0	\$ 48,752,581	(52,812,498)	(4,052,640)
Options for Services					522,987		522,987
Issuance of Warrants - Officer					786,296		786,296
Issuance of Warrants for services					211,470		211,470
Issuance of Common Stock for Interest - 2011 Notes	25,484	25			108,204		108,229
Issuance of Common Stock for Interest - 2011 Notes	40,925	41			173,849		173,890
Issuance of Common Stock for Interest - 2011 Notes	40,925	41			173,849		173,890
Issuance of Common Stock for Interest - 2011 Notes	46,272	46			175,755		175,801
Issuance of Common Stock for Interest - 2012 Notes	2,795	3			13,148		13,151
Issuance of Common Stock for Interest - 2012 Notes	24,008	24			91,176		91,200
Issuance of Common Stock - Officer	11,765	12			49,989		50,001
Issuance of Convertible Notes & Warrants - June/July 2012					3,913,034		3,913,034
Net Loss						(17,422,111)	(17,422,111)
Balance as of September 30, 2012	7,469,366	\$ 7,469	0	\$ 0	\$ 54,972,338	\$ (70,234,609)	\$ (15,254,802)

See accompanying notes.

BOOMERANG SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (17,422,111)	\$ (19,102,004)
Adjustments to reconcile net loss operations to net cash (used in) operating activities:		
Depreciation and amortization	297,961	52,006
Loss on disposal of equipment	-	1,893
Allowance for doubtful accounts receivable	155,781	-
Grant of options for services	522,987	1,973,634
Issuance of warrants for services	1,209,806	4,227,406
Issuance of warrants for financing	-	3,899,866
Issuance of common stock for services	50,001	-
Issuance of common stock for interest expense	736,161	-
Loss on fair value of derivative	2,237,741	-
Amortization of discount on convertible debt	2,137,202	-
Loss on equity investment	156,242	153,019
Changes in assets and liabilities:		
Decrease/(increase) in accounts receivable	184,811	(175,731)
(Increase) in restricted cash	(81,671)	-
Decrease in notes receivable	16,748	8,710
(Increase) in notes receivable (non-current)	-	(913)
(Increase) in security deposit	(20,825)	-
Decrease/(increase) in costs and estimated earned profits in excess of billings on completed contracts	45,559	(521,213)
(Increase)/decrease in inventory	(105,801)	63,572
(Increase)/decrease in prepaid expenses and other assets	(20,564)	2,889
Increase in accounts payable and accrued liabilities	351,755	223,273
Increase in due to related party	176,610	283,466
(Decrease) in deposit payable	(30,000)	(65,000)
Increase/(decrease) in billings in excess of costs and estimated earned profits on uncompleted contracts	5,147	(48,186)
Increase in estimated loss on uncompleted contract	314,145	188,484
NET CASH (USED IN) OPERATING ACTIVITIES	(9,082,315)	(8,834,829)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(128,199)	(1,633,189)
Additional equity investment	(246,601)	(247,395)
NET CASH (USED IN) INVESTING ACTIVITIES	(374,800)	(1,880,584)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable and line of credit	(1,730,240)	(428,358)
Proceeds from notes payable and line of credit	2,176,000	5,725,000
Proceeds from private placement- convertible notes	11,025,000	-
Proceeds from private placement- common stock	-	1,199,999
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,470,760	6,496,641
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,013,645	(4,218,772)
CASH AND CASH EQUIVALENTS - beginning of year	65,590	4,284,362
CASH AND CASH EQUIVALENTS- end of year	\$ 2,079,235	\$ 65,590

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for:

Interest	\$ 10,450	\$ 12,523
Income taxes	\$ 2,055	\$ 25,149

Non-cash investing and financing activities:

Conversion of notes payable and accrued interest into convertible debt	\$ 6,799,520	\$ -
Issuance of common stock for interest expense	\$ 736,161	\$ -
Conversion of debt and accrued interest into common stock	\$ -	\$ 398,012

See accompanying notes.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

The Company

The Company, through its wholly owned subsidiary, Boomerang Utah, is engaged in the design, development, and marketing of automated storage and retrieval systems for automobile parking and containerized self-storage units. The Company was a developmental stage company through the first quarter of fiscal 2008.

Unless the context otherwise requires, the terms “Company,” “we,” “our,” and “us,” means Boomerang Systems, Inc. and its consolidated subsidiaries.

On June 20, 2011, an amendment to the Company’s Certificate of Incorporation was filed, effecting a one-for-twenty reverse split (the “Reverse Split”) of Boomerang’s common stock. The par value of the Company’s common stock remained \$0.001 per share and the number of shares of common stock authorized to be issued remained at 400,000,000.

All share numbers in the financial statements give effect to the Reverse Split.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Boomerang Systems, Inc. and the accounts of all majority-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Research and Development

Pursuant to ASC 730, *Research and Development*, research and development costs are expensed as incurred. Research and development costs for the years ended September 30, 2012 and 2011 were \$1,557,898 and \$2,202,020, respectively.

Earnings Per Common Share

We adopted ASC 260. The statement established standards for computing and presenting earnings per share (“EPS”). It replaced the presentation of primary EPS with a basic EPS and also requires dual presentation of basic and diluted EPS on the face of the income statement. Basic income/(loss) per share was computed by dividing our net income/ (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common shares used to calculate basic and diluted income/(loss) per common share for the years ended September 30, 2012 and September 30, 2011 was 7,329,410 and 7,117,078, respectively. The Company’s common stock equivalents, of outstanding options, warrants and convertible notes, have not been included as to include them would be anti-dilutive. As of September 30, 2012 and 2011, there were fully vested options outstanding for the purchase of 635,135 and 597,165 common shares, warrants for the purchase of 9,408,610 and 4,196,184 common shares, and notes convertible into 3,975,206 and 0 common shares, respectively, all of which could potentially dilute future earnings per share.

Revenue Recognition

Revenues from the sales of RoboticValet and rack and rail systems are recognized using the percentage of completion method, whereby revenue and the related gross profit is determined by comparing the actual costs incurred to date for the project to the total estimated project costs at completion.

Project costs generally include all material and shipping costs, our direct labor, subcontractor costs and an allocation of indirect costs related to the direct labor. Changes in the project scope, site conditions, staff performance and delays or problems with the equipment used on the project can result in increased costs that may not be billable or accepted by the customer and a loss or lower profit from what was originally anticipated at the time of the proposal.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates for the costs to complete the project are periodically updated by management during the performance of the project. Provisions for changes in estimated costs and losses, if any, on uncompleted projects are made in the period in which such losses are determined.

When the current estimate of total contract costs exceeds the current estimate of total contract revenues, a provision for the entire loss on the contract is made. Losses are recognized in the period in which they become evident under the percentage-of-completion method. The loss is computed on the basis of the total estimated costs to complete the contract, including the contract costs incurred to date plus the estimated costs to complete. As of September 30, 2012, it was estimated that the gross loss on current contracts would be \$3,998,970. This loss is comprised of \$3,496,341 recognized through the percentage of completion method for the year ended September 30, 2012, and \$502,629 as a provision for the remaining loss on contracts.

Revenues of \$1,145,294 and \$1,591,948 have been recognized for the years ended September 30, 2012 and 2011, respectively.

The Company may have service contracts in the future after the contract warranty period is expired, which are separate and distinct agreements from project agreements and will be billed according to the terms of the contract.

Warranty Reserves

The Company provides warranty coverage on its products for a specified time as stipulated in its sales contracts. As revenues for contracts are recognized, the Company will record a warranty reserve for estimated costs in connection with future warranty claims associated with those contracts. The amount of warranty reserve is based primarily on the estimated number of products under warranty and historical costs to service warranty claims. Management periodically assesses the adequacy of the reserves based on these factors and adjusts the reserve accordingly. The Company has incurred warranty expense of \$377,619 and \$0 in fiscal years 2012 and 2011, respectively, relating to its existing projects.

Cash and Equivalents

For purposes of the statement of cash flows, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts reflects our best estimate of probable credit losses inherent in our existing accounts receivable balance. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We determine this allowance based on known troubled accounts, history and other currently available evidence. Accordingly, we have recorded an allowance for doubtful accounts of \$155,781 and \$0 at September 30, 2012 and 2011, respectively.

Investment at Equity

The Company accounts for the equity investment using the equity method unless its value has been determined to be other than temporarily impaired, in which case we write the investment down to its impaired value. The Company reviews this investment periodically for impairment and makes appropriate reductions in carrying value when other-than-temporary decline is evident; however, for non-marketable equity securities, the impairment analysis requires significant judgment. During its review, the Company evaluates the financial condition of the issuer, market conditions, and other factors providing an indication of the fair value of the investment. Adverse changes in market conditions or operating results of the issuer that differ from expectation could result in additional other-than-temporary losses in future periods.

Inventory

Inventory is stated at the lower of cost or market using the weighted average cost method. Inventory includes materials, parts, assemblies and work in process. The Company records an inventory reserve for the anticipated loss associated with slow moving, obsolete and/or damaged inventory.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Costs of major additions and betterments are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives which range from three years to fifteen years. Depreciation and amortization for the years ended September 30, 2012 and September 30, 2011 was \$297,961 and \$52,006, respectively.

Income Taxes

We account for income taxes under ASC 740-10. ASC 740-10 requires an asset and liability approach for financial reporting for income taxes. Under ASC 740-10, deferred taxes are provided for temporary differences between the carrying values of assets and liabilities for financial reporting and tax purposes at the enacted rates at which these differences are expected to reverse. The Company and its subsidiaries file a consolidated Federal income tax return and separate state returns in New Jersey and Utah. For Federal and State tax purposes, the tax years 2008 through 2011 remain open to examination.

Use of Estimates

Management of the Company has made estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Estimates are used in accounting for, among other items, allowance for doubtful accounts, inventory obsolescence, warranty expense, income taxes and percentage of completion contracts. Actual results could differ from these estimates.

Impairment of Long-Lived Assets

We review the long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine if impairment exists, we compare the estimated future undiscounted cash flows from the related long-lived assets to the net carrying amount of such assets. Once it has been determined that an impairment exists, the carrying value of the asset is adjusted to the fair value. Factors considered in the determination of the fair value include current operating results, trends and the present value of estimated expected future cash flows. No impairment charges were recorded in fiscal year 2012 or 2011.

Derivative liability

The Company accounts for reset provisions in connection with their issuance of debt, and reset provisions of equity instruments attached to their debt, in accordance with Emerging Issues Task Force (“EITF”) Consensus No. 07-5 “Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity’s Own Stock” (EITF 07-5”). Under EITF 07-5, instruments which contain full ratchet anti-dilution provisions are no longer considered indexed to a company’s own stock for purposes of determining whether it meets the first part of the scope exception in paragraph 11 (a) of FASB 133 “Accounting for Derivative Instruments and Hedging Activities”, now promulgated in ASC 815, “Derivative and Hedging”. Under ASC 815 the Company is required to (1) evaluate an instrument’s contingent exercise provisions and (2) evaluate the instrument’s settlement provisions.

Fair Value Measurements

As defined in FASB ASC Topic 820 – 10, “Fair Value Measurements and Disclosures,” fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 – 10 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurements be classified and disclosed in one of the following categories:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that the Company values using observable market data. Substantially all of these inputs are observable in the marketplace throughout the term of the derivative instruments, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e. supported by little or no market activity). The Company's valuation models are primarily industry standard models. Level 3 instruments include derivative warrant instruments. The Company does not have sufficient corroborating evidence to support classifying these assets and liabilities as Level 1 or Level 2.

As required by FASB ASC Topic 820 – 10, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The estimated fair value of the derivative liability was calculated using the Black-Scholes option pricing model. The Company uses Level 3 inputs to value its derivative liabilities. The following table provides a reconciliation of the beginning and ending balances for the major classes of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) and reflects gains and losses for the years ended September 30, 2012 and 2011 for all financial assets and liabilities categorized as Level 3 as of September 30, 2012.

	2012	2011
Liabilities:		
Balance of derivative liabilities – beginning of year	\$ -	\$ -
Initial recording of derivative liability	10,831,922	-
Change in fair value of derivative liabilities	2,237,741	-
Balance of derivative liabilities - end of year	\$ 13,069,663	\$ -

The Company incurred the derivative liability set forth on the September 30, 2012 balance sheet in connection with the Offering (see Note 9).

Advertising Expense

Advertising costs amounted to \$164,620 and \$242,717 for the years ended September 30, 2012 and 2011, respectively, and are included in Sales and Marketing. Advertising costs are expensed as incurred.

Stock-Based Compensation

The analysis and computation was performed based on our adoption of ASC 718-10-25, which requires the recognition of the fair value of stock-based compensation. For the fiscal years ended September 30, 2012 and 2011, we conducted an outside independent analysis and our own review, and based on the results, we recognized \$522,987 and \$723,637 in share-based payments related to non-vested stock options that were issued from fiscal year 2008 through 2010, and \$0 and \$1,249,997 for fully vested options issued during the year ended September 30, 2012 and 2011, respectively. We recognized \$1,209,806 and \$4,227,406 for the issuance of warrants, of which \$786,296 and \$4,202,406 were for warrants issued to the Chief Executive Officer of the Company in connection with his employment agreement and \$423,510 and \$25,000 were for issuances of warrants to consultants for services during the year ended September 30, 2012 and 2011, respectively. We also recognized \$50,001 and \$0 for the issuance of common stock for services during the year ended September 30, 2012 and 2011.

Reclassification

Certain fiscal year ended September 30, 2011 items have been reclassified to conform with the fiscal year ended September 30, 2012 presentation.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." The amendments in this ASU are effective during interim and annual periods beginning after December 15, 2011. The adoption of this ASU is not expected to have a material impact on the consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the consolidated financial statements of the Company.

NOTE 3 – INVESTMENT AT EQUITY

The Company is a partner in the United Arab Emirates "UAE" joint venture, Boomerang Systems Middle East, LLC. Boomerang Systems Middle East, LLC is owned by Boomerang Systems USA Corp. (49%), a subsidiary of Boomerang Systems, Inc., and Tawreed Companies Representation (51%), a UAE company. The equity method is used to calculate the current amount of this investment.

During the fiscal year ended September 30, 2012, the Company made additional investments in the UAE joint venture of \$55,601. Based on the equity method, the 49% loss we recognized on this investment for the year ended September 30, 2012 was \$52,538. After factoring in the loss, our carrying value on this investment was \$142,899 at September 30, 2012.

Balance as of September 30, 2010	\$ 45,460
Additional investment	247,395
Loss on investment (49%)	(153,019)
Balance as of September 30, 2011	139,836
Additional investment	55,601
Loss on investment (49%)	(52,538)
Balance as of September 30, 2012	<u>\$ 142,899</u>

On February 15, 2012, Boomerang MP Holdings, Inc., a wholly owned subsidiary of the Company, was formed with the purpose of entering into a mechanical parking joint venture. On February 16, 2012, Boomerang MP Holdings, Inc., formed a joint venture with Stokes Industries-USA, LLC ("Stokes"). The joint venture, Boomerang-Stokes Mechanical Parking LLC, is owned 50% by Boomerang MP Holdings, Inc. and 50% by Stokes. Boomerang MP Holdings, Inc., is committed to providing a minimum of \$250,000 of capital to fund the initial operations and marketing efforts during the initial two year period of the joint venture. Boomerang MP Holdings, Inc., shall also license the name "Boomerang" to the joint venture for use in North America on a royalty free, non-exclusive basis.

During the year ended September 30, 2012, the Company made investments totaling \$191,000 in the joint venture. Based on the equity method, the 50% loss we recognized on this investment for the year ended September 30, 2012 was \$103,704. After factoring in the loss, our carrying value on this investment was \$87,296 at September 30, 2012.

Balance as of September 30, 2011	\$ -
Additional investment	191,000
Loss on investment (50%)	(103,704)
Balance as of September 30, 2012	<u>\$ 87,296</u>

NOTE 4 – INVENTORY

The components of inventory as of September 30, 2012 and 2011 were as follows:

2012	2011
------	------

Parts, materials and assemblies	\$ 229,667	\$ 185,143
Work in-process	78,323	17,046
Total Inventory	<u>\$ 307,990</u>	<u>\$ 202,189</u>

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at September 30, 2012 and 2011:

	2012	2011
Computer equipment	\$ 310,734	\$ 242,149
Machinery and equipment	126,817	96,855
Furniture and fixtures	62,803	35,856
Leasehold improvements	62,469	62,469
Buildings	2,598,470	-
Construction in progress (1)	-	2,595,765
	<u>3,161,293</u>	<u>3,033,094</u>
Less: Accumulated depreciation	(456,377)	(158,416)
	<u>\$ 2,704,916</u>	<u>\$ 2,874,678</u>

(1) All construction in progress at September 30, 2011, was for the demonstration facility at Crystal Springs Resort which was completed in October 2011 and reallocated to machinery and equipment and buildings.

NOTE 6 – COSTS IN EXCESS OF BILLINGS/BILLINGS IN EXCESS OF COSTS

The Company entered into two contracts, one in fiscal 2010 and one in fiscal 2011 for construction of rack and rail-based parking systems and is recognizing revenue on the percentage of completion method.

Information with respect to uncompleted contracts at September 30, 2012 and 2011 are as follows:

Costs in excess of billings:	2012	2011
Earnings on billings to date	\$ 2,059,919	\$ 2,105,478
Less: Billings	(1,584,265)	(1,584,265)
Total costs in excess of billings	<u>\$ 475,654</u>	<u>\$ 521,213</u>

Billings in excess of costs:	2012	2011
Earnings on billings to date	\$ 1,190,853	\$ -
Less: Billings	(1,196,000)	-
Total (billings in excess of costs)	<u>\$ (5,147)</u>	<u>\$ -</u>

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Accounts payable and accrued liabilities at September 30, 2012 and 2011 consist of the following:

	2012	2011
Accounts payable – trade	\$ 1,142,672	\$ 1,340,114
Accrued interest	20,887	105,721
Accrued warranty expense	372,940	-
Accrued payroll	191,492	122,715
Other accrued expenses	160,933	66,803
Total	<u>\$ 1,888,924</u>	<u>\$ 1,635,353</u>

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 8 – INCOME TAXES

The tax expense (benefit) for the years ended September 30, 2012 and 2011 consists of the following components:

	<u>2012</u>	<u>2011</u>
Current:		
Federal	\$ -	\$ -
State	<u>2,055</u>	<u>25,149</u>
	2,055	25,149
Deferred:		
Federal	-	-
State	<u>-</u>	<u>-</u>
	-	-
Total	<u><u>\$ 2,055</u></u>	<u><u>\$ 25,149</u></u>

The income tax benefit for the year does not bear the expected relationship between pretax loss and the Federal corporate income tax rate of 34% because of the direct effect of state and local income taxes.

The reconciliation between the actual and expected federal tax is as follows:

	<u>2012</u>	<u>2011</u>
Federal corporate tax rate of 34% and applicable AMT applied to pretax loss	\$ -	\$ -
State and local taxes, net of federal benefit	<u>2,055</u>	<u>25,149</u>
Total tax expense (benefit)	<u><u>\$ 2,055</u></u>	<u><u>\$ 25,149</u></u>

Deferred income taxes consist of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Deferred tax assets	\$ 7,678,000	\$ 4,590,000
Deferred tax liabilities	-	-
Valuation allowance	<u>(7,678,000)</u>	<u>(4,590,000)</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

As of September 30, 2012, the Company had net operating losses ("NOLs") of approximately \$22,583,000. These amounts are available to be carried forward to offset future taxable income. The carry forwards begin to expire during the year ended September 30, 2027. The Company has provided a full 100% valuation allowance on the deferred tax assets at September 30, 2012 and 2011 to reduce such deferred income tax assets to zero as it is management's belief that realization of such amounts do not meet the criteria required by generally accepted accounting principles. Management will review the valuation allowance required periodically and make adjustments if warranted.

Under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the utilization of net operating loss carry forwards is limited under the change in stock ownership rules of the Code. The Company's operating loss carry forwards are subject to these limitations. Future ownership changes could also further limit the utilization of any net operating loss carry forwards as of that date.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 9 –DEBT

Current Debt

The Company entered into a sixty month capital equipment lease with a third party commencing in December 2007. The total principal balance of this lease was \$135,675 at an annual rate of 6.45%. At September 30, 2012, the outstanding principal balance was \$7,869, all of which was classified as current debt.

Effective February 6, 2008, the Company was indebted for an unsecured loan to a third party. As of September 30, 2012, the principal balance of this loan was \$80,538. The loan is not collateralized, bears interest at an annual rate of 10% and is due on demand. As of September 30, 2012, the balance of the loan including accrued interest was \$98,314.

In May 2010, the Company entered into a 6% line of credit with Sail Energy, a company owned by Gail Mulvihill, a principal shareholder of the Company and the mother of the Company's President, Christopher Mulvihill. As of September 30, 2011, the outstanding principal balance of this loan was \$273,000. On November 1, 2011, the total amount outstanding under this loan including accrued interest, \$300,142, was refinanced as part of the Offering described below.

In July 2010, the Company entered into a 6% Convertible Promissory Note with Venturetek, LP, a principal stockholder of the Company, with a principal amount of \$273,000. On November 1, 2011, the total amount outstanding under this note including accrued interest, \$292,461, was refinanced as part of the Offering described below.

From February through May 2011, the Company drew down an aggregate of \$3,250,000 on a line of credit provided by nine investors, including \$1,750,000 provided by four related parties. On November 1, 2011, the entire \$3,250,000 principal amount, plus accrued interest, was refinanced as part of the Offering described below.

On September 30, 2011, the Company owed an aggregate of \$220,763 to SB&G Properties for deferred rental payments. On November 1, 2011, this deferred rent was converted to a long-term note as part of the Offering below.

On September 30, 2011, the Company owed an aggregate of \$133,571 to Stan Checketts Properties for deferred rental payments. On November 1, 2011, this deferred rent was converted to a long-term note as part of the Offering below.

In October 2011, Atlantic and Madison of NJ Corp, a company owned by Gail Mulvihill, loaned the Company \$676,000 with the understanding that upon finalization of the documents related to a private placement by the Company, these loans would be considered an investment in such private placement. The loans did not bear interest and had no repayment terms. On November 1, 2011, this outstanding debt was refinanced as part of the private placement offering described below.

On October 28, 2011, Atlantic and Madison of NJ Corp caused the \$300,000 bank note issued on August 4, 2011, to be paid in full. Accordingly, the Company became indebted to Atlantic and Madison of NJ Corp for \$300,000. This note is included in the \$676,000 of loans described above.

On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill. This debt was comprised of \$775,000 that was outstanding as of September 30, 2011, plus the \$676,000 of loans described above. The debt outstanding under these notes was refinanced on November 1, 2011, as part of the private placement offering described below.

On October 28, 2011, Lake Isle Corp caused the \$1,000,000 bank line of credit entered into on June 30, 2011, to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000, and this debt was refinanced on November 1, 2011, as part of the private placement offering described below.

On November 1, 2011, Mark Patterson, our Chief Executive Officer, loaned us \$100,000 with the understanding that upon finalization of the documents related to a private placement by the Company, this loan would be considered an investment in such private

placement. The loan did not bear interest and had no repayment terms. The debt outstanding under this loan was refinanced on November 18, 2011, as part of the Offering.

On May 16, 2012, the Company entered into a \$400,000 line of credit with a bank, which bore interest at a rate of 5% per annum and was due on August 14, 2012. The line of credit was paid in full and terminated on June 14, 2012.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 9 –DEBT (continued)

Long-Term Debt

Private Placement Offering – November/December 2011

On November 1, 2011, the Company issued to subscribers 6% convertible promissory notes (“Notes”) in the aggregate principal amount of approximately \$9.4 million and warrants (“Warrants”) to purchase approximately 2.2 million shares of Common Stock of the Company in the first of three (3) closings of a private placement (the “Offering”) for which the Company received cash proceeds of approximately \$2.7 million and refinanced approximately \$6.7 million of then existing short-term indebtedness. For each \$100,000 invested, a subscriber was issued a \$100,000 principal amount Note and Warrants to purchase 23,530 shares of the Company’s Common Stock.

As part of the Offering, on November 18, 2011, we issued to subscribers Notes in the aggregate principal amount of approximately \$1.35 million and Warrants to purchase approximately 318,000 shares of Common Stock for which the Company received cash proceeds of approximately \$1.25 million and refinanced approximately \$100,000 of indebtedness.

As part of the Offering, on December 9, 2011, we issued to subscribers Notes in the aggregate principal amount of approximately \$925,000 and Warrants to purchase approximately 218,000 shares of Common Stock, of which the Company received cash proceeds of approximately \$925,000.

The Notes are due five years after the respective date of issuance and are convertible into Common Stock at \$4.25 per share, subject to weighted average adjustment for issuances of common stock or common stock equivalents below the conversion price, subject to certain exceptions. The Warrants issued with the debt have a five year life with an initial exercise price of \$4.25 per share, subject to adjustment for issuances of common stock or common stock equivalents below the conversion price, subject to certain exceptions.

Interest accrues on the Notes at 6% per annum. Interest is payable quarterly, commencing on December 31, 2011, at the Company’s option, interest may be payable in: (i) cash or (ii) shares of the Common Stock. If the Company elects to pay interest in shares of its Common Stock on an interest payment date, the number of shares issuable will be equal to the quotient obtained by dividing the amount of accrued and unpaid interest payable on such interest payment date by the lesser of: (i) the conversion price, and (ii) the average of the last sale price of the Common Stock during the ten (10) consecutive trading days ending on the fifth (5th) trading day immediately preceding such interest payment date (the “Average Price”), if the average daily trading volume (the “ADTV”) of the Common Stock for the ten (10) trading days prior to the interest payment date is less than \$100,000 per day, provided, however if the ADTV is equal to or greater than \$100,000, it will be the Average Price, and not the conversion price.

The outstanding principal amount of the Notes and accrued and unpaid interest thereon will automatically convert into a number of shares of Common Stock determined by dividing the outstanding principal amount of the Notes plus accrued and unpaid interest thereon, by the conversion price in effect on the mandatory conversion date. The mandatory conversion date is the date on which (i) the last sale price of the Common Stock on 20 of the 30 immediately preceding trading days equals or exceeds 200% of the conversion price; (ii) the shares issuable upon conversion of the Notes are eligible for resale under an effective registration statement and/or Rule 144 promulgated under the Securities Act of 1933, as amended, without restriction as to volume or manner of sale and (iii) the ADTV during such 30 trading day period equals or exceeds \$500,000.

The Company also entered into a registration rights agreement with the subscribers. Pursuant to the registration rights agreement, the Company agreed to file a registration statement within 90 days after the closing date of the Offering (the “Closing Date”) to register for resale the shares of common stock issuable upon conversion of the Notes and exercise of the Warrants and Placement Agent Warrants, defined below (collectively, the “Registrable Shares”). The registration statement was timely filed and declared effective by the SEC. The Company shall use its best efforts to cause any additional registration statements it may be required to file to be declared effective within 90 days of the required filing date.

In the event that a registration statement is not filed or declared effective by the SEC by the applicable deadline, the Company will pay to the holders of Registrable Shares an amount equal to 1% of the original principal amount of the investor’s Note, multiplied by a

fraction with the numerator equal to the number of Registrable Shares that were required to be included in such registration statement which is not so filed, declared effective or maintained and otherwise are unsold at the time of such failure and the denominator equal to the sum of the total number of shares issued or issuable to the Investor upon conversion of the Notes and exercise of the Warrants purchased pursuant to the subscription agreement and owned by such holder.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 9 –DEBT (continued)

If an event of default as defined in the Notes exists, the holder may declare the entire principal of, and all interest accrued and unpaid on, the Note then outstanding to be, due and payable.

The Company has valued the Warrants, and the beneficial conversion features (“BCF”) of the Notes, to their maximum value in proportion to the Notes and had accounted for them as a discount to the debt. In certain circumstances the convertibility features and the attached Warrants contain reset provisions which adjust the conversion price of the Notes and the exercise price of the Warrants should the Company sell additional shares of common stock below the initial conversion price of the Notes or warrant exercise price as agreed to upon entry into the convertible notes payable. The Company has assessed that the reset provision for the convertibility feature and the warrant exercise price are such that they are not indexed to the Common Stock and is therefore a derivative in accordance with ASC 815-40 (formerly EITF 07-5). As such the derivative was valued on the date of its initiation, with each issuance of convertible debt, and will be re-valued at its fair value at each subsequent interim and annual reporting period.

The Company valued the Warrants and the BCF, and the resulting derivative liability, at \$5,309,941 each for the Warrants and the BCF, for a total of \$10,619,882 recorded as a discount to the convertible debt during the first quarter of fiscal 2012. This discount will be amortized over the life of the note or until such time as the note is repaid or converted, or upon exercise of the Warrants. The valuation of the Warrants, BCF, and the resulting derivative liability, were determined using the Black-Scholes option pricing model with the following weighted assumptions for all debt issuances: i) expected dividend rate of 0% ii) expected volatility of 52.7% iii) risk free interest rate of 0.9% and expected term of 5 years. During the year ended September 30, 2012 the Company has amortized \$1,917,494 of the of debt discount.

As of the date(s) of the Note issuances the aggregate fair value of the derivative was \$10,619,882. The revaluation of the derivative as of September 30, 2012 resulted in a derivative value of \$12,813,928. The change in fair value of the derivative from the date(s) of note issuance through September 30, 2012 resulted in an increase in the fair value of the derivative liability of \$2,194,046. The derivative liability was revalued on September 30, 2012 using the Black-Scholes option pricing model with the following weighted assumptions: i) expected dividend rate of 0% ii) expected volatility of 53.16% iii) risk free interest rate of 0.9% and expected term of 4.10 years.

In connection with the Offering, the Company issued warrants to the placement agent (the “Placement Agent Warrants”) to purchase shares of Common Stock. The Company issued an aggregate of 109,176 Placement Agent Warrants in November and December 2011 valued at \$212,040. The Placement Agent Warrants were valued based on the Black-Scholes Model with assumptions similar to those used to value the Warrants issued to the purchasers of Notes in the Offering. The Placement Agent Warrants have similar terms to those issued to the convertible debt holders, including a reset provision included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants. The Placement Agent Warrants, similar to the Warrants issued to the purchasers of Notes in the Offering, do not meet the definition of being indexed to the Company’s own stock in accordance with ASC 815-40. Accordingly, the Company has recorded a derivative liability for the value of the Placement Agent Warrants. The derivative liability valued at \$212,040 upon the Placement Agent Warrants grant, was revalued at \$255,735 at September 30, 2012. The valuation at September 30, 2012 was valued based on the Black-Scholes Model with assumptions similar to those used to value the Warrants granted to the debt holders as of September 30, 2012. The difference in valuation for the year ended September 30, 2012 was \$43,695, accounted for as a loss on fair value of derivative.

Private Placement Offering – June/July 2012

On June 14, 2012, the Company issued to subscribers 6% convertible promissory notes due on June 14, 2017 (“2012 Notes”) in the aggregate principal amount of \$5.0 million and warrants to purchase 1.0 million shares of Common Stock (“2012 Warrants”) of the Company in the first of two (2) closings of a private placement (the “2012 Offering”) for which the Company received aggregate gross cash proceeds of \$5.0 million. For each \$100,000 invested, a subscriber was issued a \$100,000 principal amount 2012 Note and 2012 Warrants to purchase 20,000 shares of the Company’s Common Stock.

As part of the 2012 Offering, on July 13, 2012, we issued to subscribers 2012 Notes in the aggregate principal amount of approximately \$1.2 million and 2012 Warrants to purchase approximately 240,000 shares of Common Stock for which the Company received cash proceeds of approximately \$1.2 million.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 9 –DEBT (continued)

The 2012 Notes are convertible into Common Stock at \$5.00 per share, subject to weighted average adjustment for issuances of common stock or common stock equivalents below the conversion price, subject to certain exceptions. Additionally, the conversion price may not be adjusted below \$0.25.

Interest accrues on the 2012 Notes at 6% per annum. Interest is payable quarterly, commencing on June 30, 2012. At the Company's option, interest may be payable in: (i) cash or (ii) shares of the Common Stock. If the Company elects to pay interest in shares of its Common Stock on an interest payment date, the number of shares issuable will be equal to the quotient obtained by dividing the amount of accrued and unpaid interest payable on such interest payment date by the lesser of: (i) the conversion price, and (ii) the average of the last sale price of the Common Stock during the ten (10) consecutive trading days ending on the fifth (5th) trading day immediately preceding such interest payment date (the "Average Price"), if the average daily trading volume (the "ADTV") of the Common Stock for the ten (10) trading days prior to the interest payment date is less than \$100,000 per day, provided, however if the ADTV is equal to or greater than \$100,000, it will be the Average Price, and not the conversion price.

The outstanding principal amount of the 2012 Notes and accrued and unpaid interest thereon will automatically convert into a number of shares of Common Stock determined by dividing the outstanding principal amount of the 2012 Notes plus accrued and unpaid interest thereon, by the conversion price in effect on the mandatory conversion date. The mandatory conversion date is the date on which (i) the last sale price of the Common Stock on 20 of the 30 immediately preceding trading days equals or exceeds 200% of the conversion price; (ii) the shares issuable upon conversion of the 2012 Notes are eligible for resale under an effective registration statement and/or Rule 144 promulgated under the Securities Act of 1933, as amended, without restriction as to volume or manner of sale, and (iii) the ADTV during such 30 trading day period equals or exceeds \$500,000.

If an event of default as defined in the 2012 Notes exists, the holder may declare the entire principal of, and all interest accrued and unpaid on, the 2012 Notes then outstanding to be due and payable.

The Company also entered into a registration rights agreement with the subscribers. Pursuant to the registration rights agreement, the Company agreed to file a registration statement within 90 days after the final closing date of the Offering which occurred on July 13, 2012 (the "Closing Date") to register for resale the shares of Common Stock issuable upon conversion of the 2012 Notes and exercise of the 2012 Warrants and 2012 Placement Agent Warrants defined below (collectively, the "Registrable Shares"). In the event that the SEC limits the number of Registrable Shares that may be included in the registration statement, the Company shall include only those Registrable Shares permitted by the SEC and shall file additional registration statements at the earliest practical date as the Company is permitted to do so in accordance with SEC guidelines. The registration statement was timely filed and declared effective by the SEC. The Company shall use its best efforts to cause any additional registration statements to be declared effective within 90 days of the required filing date.

In the event that a registration statement is not filed or declared effective by the SEC by the applicable deadline, the Company will pay to the holders of Registrable Shares an amount equal to 1% of the original principal amount of the investor's 2012 Note, multiplied by a fraction with the numerator equal to the number of Registrable Shares that were required to be included in the Registration Statement which is not so filed, declared effective or maintained and otherwise are unsold at the time of such failure and the denominator equal to the sum of the total number of shares issued or issuable to the Investor upon conversion of the 2012 Notes and exercise of the 2012 Warrants purchased pursuant to the subscription agreement and owned by such holder.

The Company has valued the 2012 Warrants and the beneficial conversion features ("BCF") of the 2012 Notes, to their maximum value in proportion to the notes and had accounted for them as a discount to the debt. In certain circumstances the convertibility features and the 2012 Warrants contain reset provisions which adjust the conversion price and the exercise price of the warrants should the Company sell additional shares of common stock below the initial conversion price of the 2012 Notes or 2012 Warrant exercise price as agreed to upon entry into the convertible notes payable. The Company has determined that the 2012 Notes are a derivative instrument due to the reset provision contained within the notes. A derivative liability was not recorded when the 2012 Offering was entered into as the value of the such a derivative was immaterial due to the Company's limited history with adjusting instruments from previous fundraisings that have similar reset provisions. If the 2012 Notes' reset provision should be triggered, a reassessment of recording a derivative will be made at such time.

The Company valued the 2012 Warrants and the BCF at \$1,956,517 each for a total of \$3,913,034 recorded as a discount to the convertible debt. This discount will be amortized over the life of the 2012 Notes or until such time as the 2012 Notes are repaid or converted, or upon exercise of the 2012 Warrants. The valuation of the 2012 Warrants and BCF were determined using the Black-Scholes option pricing model with the following weighted assumptions for all debt issuances: i) expected dividend rate of 0% ii) expected volatility of 53.43% iii) risk free interest rate of 0.9% and expected term of 5 years. During the year ended September 30, 2012, the Company has amortized \$219,708 of the of debt discount.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 –DEBT (continued)

In connection with the 2012 Offering, the Company paid a placement agent and another registered broker-dealer cash fees of approximately \$351,000 in the aggregate. The Company issued to the placement agent warrants (the “2012 Placement Agent Warrants”) to purchase an aggregate of 54,800 shares of Common Stock, which expire on June 14, 2017. The 2012 Placement Agent Warrants contain substantially the same terms as those issued to subscribers.

	Principal As of		Maturity Date	Interest Rate	Secured
	9/30/2012	9/30/2011			
Current Debt- Third Party:					
Loan Payable- Third Party	\$ 80,538	\$ 80,538	Upon Demand	10%	No
Lease Payable- Bank (current portion)	7,869	30,242	12/31/2012	6.45%	Yes
Total Current Debt- Third Party	<u>\$ 88,407</u>	<u>\$ 110,780</u>			
Long-Term Debt – Third Party:					
Convertible Notes – 2011 Offering	3,665,763	-	11/1/2016	6%	No
Convertible Notes – 2011 Offering	1,250,000	-	11/18/2016	6%	No
Convertible Notes – 2011 Offering	925,000	-	12/9/2016	6%	No
Convertible Notes – 2012 Offering	4,065,000	-	6/14/2017	6%	No
Promissory Notes – Line of Credit	-	1,500,000	11/1/2016 (1)	6%	No
Line of Credit - Bank	-	1,000,000	11/1/2016 (1)	6%	No
Promissory Note – Bank	-	300,000	11/1/2016 (1)	6%	No
Lease Payable- Bank	-	7,869	12/31/2012	6.45%	Yes
Discount on Convertible Notes	(7,899,942)	-			
Amortization of Discount	1,090,794	-			
Total Long-Term Debt – Third Party	<u>\$ 3,096,615</u>	<u>\$ 2,807,869</u>			
Long-Term Debt- Related Party:					
Convertible Notes – 2011 Offering	\$ 5,683,757	\$ -	11/1/2016	6%	No
Convertible Notes – 2011 Offering	100,000	-	11/18/2016	6%	No
Convertible Notes – 2012 Offering	2,135,000	-	6/14/2017	6%	No
Loan Payable- Related Party	-	273,000	11/1/2016 (1)	6%	No
Loan Payable- Related Party	-	273,000	11/1/2016 (1)	6%	No
Loan Payable – Related Party	-	220,763	11/1/2016 (1)	6%	No
Loan Payable – Related Party	-	133,571	11/1/2016 (1)	6%	No
Loan Payable – Related Party	-	775,000	11/1/2016 (1)	6%	No
Promissory Notes – Line of Credit	-	1,750,000	11/1/2016 (1)	6%	No
Discount on Convertible Notes	(6,632,974)	-			
Amortization of Discount	1,046,408	-			
Total Long-Term Debt- Related Party	<u>\$ 2,332,191</u>	<u>\$ 3,425,334</u>			

- (1) This debt was reclassified from current to long-term pursuant to ASC 470-10-45-14. On November 1, 2011, as part of the Offering, this debt was refinanced through the issuance of long-term notes.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 –DEBT (continued)

Capital lease payable to bank*	2012	2011
Secured by equipment	\$ 7,869	\$ 38,111
Less: current maturities	(7,869)	(30,242)
Total long-term debt	\$ -	\$ 7,869

*payable in monthly installments of \$2, 651 including interest at 6.448% due December 1, 2012

NOTE 10 - EQUITY

Preferred Stock:

The Company is authorized to issue 1,000,000 shares of preferred stock, with a par value of \$0.01 per share. As of September 30, 2012 and 2011, there were no shares of preferred stock issued and outstanding.

Common Stock:

On March 2, 2012, the Company issued 25,484 shares of common stock in lieu of a cash payment of \$108,229 of interest for the quarter ended December 31, 2011. Pursuant to the terms of the Notes, these shares of stock were issued at \$4.25 per share.

On March 31, 2012, the Company issued 40,925 shares of common stock in lieu of a cash payment of \$173,890 of interest for the quarter ended March 31, 2012. Pursuant to the terms of the Notes, these shares of stock were issued at \$4.25 per share.

On April 11, 2012, the Company issued 11,765 shares of common stock to Dave Koch, our COO, pursuant to his employment agreement as payment for services provided. These shares of stock were issued at \$4.25 per share and the Company recorded an expense of \$50,001 related to this issuance.

On June 30, 2012, the Company issued 40,925 shares of common stock in lieu of a cash payment of \$173,890 of interest for the quarter ended June 30, 2012. Pursuant to the terms of the Notes, these shares of stock were issued at \$4.25 per share.

On June 30, 2012, the Company issued 2,795 shares of common stock in lieu of a cash payment of \$13,151 of interest for the quarter ended June 30, 2012. Pursuant to the terms of the 2012 Notes, these shares of stock were issued at \$4.73 per share.

On September 30, 2012, the Company issued 46,272 shares of common stock in lieu of a cash payment of \$175,801 of interest for the quarter ended September 30, 2012. Pursuant to the terms of the Notes, these shares of stock were issued at \$3.80 per share.

On September 30, 2012, the Company issued 24,008 shares of common stock in lieu of a cash payment of \$91,200 of interest for the quarter ended September 30, 2012. Pursuant to the terms of the 2012 Notes, these shares of stock were issued at \$3.80 per share.

At September 30, 2012, the Company reserved shares of common stock for issuance upon exercise as follows:

Options	641,385
Warrants	8,767,225
Convertible Notes	3,975,206
Total Shares Reserved	13,383,816

Options:

The Company recorded \$0 and \$1,249,997 of compensation expense, net of related tax effects, for the options that were granted that vested during the twelve months ended September 30, 2012 and 2011, respectively, in accordance with ASC 718-10-25.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
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NOTE 10 – EQUITY (continued)

As of September 30, 2012, there was approximately \$16,863 of total unrecognized costs related to unvested stock options granted to employees from fiscal year 2008 through 2010. These costs are expected to be recognized over the next fiscal year.

The volatility assumption for the period was based on the weighted average for the most recent year and long term volatility measures of our stock as well as certain of our peers. Although stock-based compensation expense, recognized in the accompanying consolidated statement of operations for the twelve months ended September 30, 2012 and 2011, is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. ASC 718-10-25 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Currently the Company has no historical data to use for estimating forfeitures.

The following table summarizes option activity for the years ended September 30, 2012 and 2011:

	Options	Weighted Average Exercise Price
Outstanding as of September 30, 2010	441,385	\$ 4.73
Granted	250,000	5.00
Exercised	-	-
Forfeitures	(50,000)	(5.00)
Outstanding as of September 30, 2011	641,385	4.82
Granted	-	-
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2012	641,385	\$ 4.82

The following table summarizes information about stock options outstanding and exercisable as of September 30, 2012 and 2011:

Period	Range of Exercise Price	Number Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price Exercisable Options	Weighted Average Remaining Life in Years Exercisable Options
9/30/2012	\$ 2.00-18.00	641,385	6.54	\$ 4.82	635,135	\$ 4.84	6.59
9/30/2011	\$ 2.00-18.00	641,385	7.55	\$ 4.82	597,635	\$ 5.02	7.89

Warrants:

On October 1, 2010, the Company entered into an amended and restated employment agreement with our Chief Executive Officer, Mark Patterson. The amended agreement provides for a base salary of \$200,000 per year and provides for a grant of an aggregate of 1,080,000 five-year warrants with an exercise price of \$5.00 per share that vest and become exercisable as follows: (i) 270,000 on October 1, 2010, (ii) 210,000 on each of February 1, August 1, 2011 and February 1, 2012, and (iii) 180,000 on August 1, 2012. The amended agreement provides Mr. Patterson with a right of first refusal, pursuant to which Mr. Patterson has the right, but not the obligation, to maintain his then pro rata share of the Company's issued and outstanding shares and warrants by purchasing additional shares and warrants each time the Company offers shares and/or warrants for sale. The Company has valued and expensed a total of 390,000 vested warrants at \$786,296 during the year ended September 30, 2012, based on the Black-Scholes Model.

Pursuant to the Offering described in Note 9, in November and December 2011, we issued warrants to Subscribers to purchase an aggregate of approximately 2,736,000 shares of Common Stock of the Company.

The Warrants are exercisable for a period of five years from the respective date of issuance at \$4.25 per share, subject to weighted average adjustment for issuance below the exercise price, subject to certain exceptions. Cashless exercise is permitted if the average trading volume of the Company's Common Stock during at least five (5) of the ten (10) consecutive trading days immediately preceding the date of the notice of exercise is at least 10,000 shares, and will be based upon the average of the last sale price of the Common Stock during the five (5) consecutive trading days prior to the notice of exercise. In certain instances, a holder shall not be permitted to exercise the warrant if such exercise would result in such holder's total ownership of the Company's Common Stock exceeding 4.9%. The Placement Agent Warrants expire five years from the respective date of issuance and contain substantially the same terms as those issued to Subscribers.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
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NOTE 10 – EQUITY (continued)

These warrants do not meet the definition of being indexed to the Company's own stock in accordance with ASC 815-40, accordingly the Company has recorded a derivative liability for the value of the Warrants. The aggregate derivative liability valued at \$5,309,941 upon the issuances of the Warrants, was revalued at \$6,406,964 at September 30, 2012. The difference in valuation was \$1,097,023 accounted for as a loss on fair value of derivative.

When the Warrants were issued, the fair value of each warrant granted was estimated on the date of grant using the Black-Scholes valuation model. The following weighted assumptions were used: (i) risk free interest rate of 0.9%, (ii) expected life of five years, (iii) dividend rate of 0.00% and (iv) expected volatility of 52.7%.

In connection with the Offering, we issued an aggregate of 109,176 Placement Agent Warrants in November and December 2011. We valued and expensed these warrants at \$212,040 during the fiscal year ended September 30, 2012, based on the Black-Scholes Model. These warrants have similar terms to the Warrants, including a reset provision included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants. These warrants, similar to those of given to the convertible debt holders, do not meet the definition of being indexed to the Company's own stock in accordance with ASC 815-40, accordingly the Company has recorded a derivative liability for the value of these warrants. The aggregate derivative liability valued at \$212,040 upon the issuances of the warrants, was revalued at \$255,735 at September 30, 2012. The difference in valuation was \$43,695 accounted for as a loss on fair value of derivative.

We issued an aggregate of 16,059 warrants to consultants for investor relations services related to the Offering. We have valued and expensed these warrants at approximately \$27,000 during the fiscal year ended September 30, 2012, based on the Black-Scholes Model. These warrants have similar terms to the Warrants, including a reset provision, in no event lower than \$0.25, included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants.

Pursuant to the 2012 Offering described in Note 9, in June and July 2012, we issued 2012 Warrants to subscribers to purchase an aggregate of 1,240,000 shares of Common Stock of the Company.

The 2012 Warrants are exercisable at \$5.00 per share, subject to weighted average adjustment for issuance below the exercise price, subject to certain exceptions. Additionally, the Exercise Price may not be adjusted below \$0.25. Cashless exercise is permitted if the average trading volume of the Company's Common Stock during at least five (5) of the ten (10) consecutive trading days immediately preceding the date of the notice of exercise is at least 10,000 shares, and will be based upon the average of the last sale price of the Common Stock during the five (5) consecutive trading days prior to the notice of exercise. In certain instances, a holder shall not be permitted to exercise the 2012 Warrants if such exercise would result in such holder's total ownership of the Company's Common Stock exceeding 4.9%. The 2012 Warrants expire on June 14, 2017.

When the 2012 Warrants were issued, the fair value of each warrant granted was estimated on the date of grant using the Black-Scholes valuation model. The following weighted assumptions were used: (i) risk free interest rate of 0.9%, (ii) expected life of five years, (iii) dividend rate of 0.00% and (iv) expected volatility of 53.2%.

In connection with the 2012 Offering, we issued 2012 Placement Agent Warrants to purchase an aggregate of 54,800 shares of Common Stock in June and July 2012. We valued and expensed these warrants at approximately \$126,000 based on the Black-Scholes Model. These warrants have similar terms to the 2012 Warrants, including a reset provision, in no event lower than \$0.25, included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants.

We issued an aggregate of 13,800 warrants to consultants for investor relations services related to the 2012 Offering. We have valued and expensed these warrants at approximately \$31,000 during the fiscal year ended September 30, 2012, based on the Black-Scholes Model. These warrants have similar terms to the 2012 Warrants, including a reset provision, in no event lower than \$0.25, included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 10 – EQUITY (continued)

On September 30, 2012, we issued 12,000 warrants to a consultant for compensation related services. We have valued and expensed these warrants at approximately \$27,400 during the fiscal year ended September 30, 2012, based on the Black-Scholes Model. The following weighted assumptions were used: (i) risk free interest rate of 0.9%, (ii) expected life of five years, (iii) dividend rate of 0.00% and (iv) expected volatility of 53.2%. These warrants expire on August 31, 2017.

The following table summarizes warrant activity for the years ended September 30, 2012 and 2011:

	Warrants	Weighted Average Exercise Price
Outstanding as of September 30, 2010	2,458,252	\$ 8.41
Granted	1,737,932	5.39
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2011	4,196,184	7.69
Granted	4,571,041	4.53
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2012	8,767,225	\$ 5.92

The following table summarizes information about warrants outstanding and exercisable as of September 30, 2012 and 2011:

Period	Range of Exercise Price	Number Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price Exercisable Warrants	Weighted Average Remaining Life in Years Exercisable Warrants
9/30/2012	\$ 2.00-25.00	8,767,225	3.65	\$ 5.92	8,767,225	\$ 5.92	3.65
9/30/2011	\$ 2.00-25.00	4,196,184	3.91	\$ 7.69	4,196,184	\$ 7.69	3.91

NOTE 11 – RELATED PARTY TRANSACTIONS

HSK Funding, Inc., Lake Isle Corp., and Venturetek, LP, are beneficial holders of shares of our company's common stock and certain of their members and stockholders are also the members of SB&G Properties, LC. ("SB&G"), which is the landlord under a lease with us. Gail Mulvihill, the individual who exercises sole voting and investment control over Lake Isle Corp., is the mother of Christopher Mulvihill, our President, and is a principal stockholder of our company. SB&G entered into a lease with Boomerang Utah dated October 1, 2008, relating to premises located at 324 West 2450 North, Building A, Logan, Utah ("Building A"). The Company assumed this lease in February 2008. The initial term of the lease was for one year with an annual rent of \$260,610 plus real property and school taxes. In addition, Boomerang is obligated to pay for all utilities, repairs and maintenance to the property. The approximately 29,750 square foot leased premises are used for Boomerang's manufacturing activities. On March 15, 2010, Boomerang and SB&G agreed to maintain these terms until September 30, 2011. This lease has been extended on a month-to-month basis. On November 1, 2011, deferred rental payments totaling \$220,763 were refinanced as part of the Offering described in Note 9 – Debt. Deferred rental payments totaling \$176,610 have been accrued as of September 30, 2012 and classified as due to related party on our balance sheet.

Stan Checketts Properties ("SCP"), a company owned by the chief executive officer of Boomerang's wholly owned subsidiary, Boomerang Sub, Inc., entered into a lease with Boomerang Utah dated October 1, 2008 for premises located at 324 West 2450 North, Building B, Logan, Utah. The Company assumed this lease in February 2008. The initial term of the lease was for one year at a fixed annual rent of \$157,680 plus real property and school taxes. In addition, Boomerang is obligated to pay for all utilities and for repairs

and maintenance to the property. The approximately 18,000 square foot leased premises are, in addition to Building A, also used for Boomerang's manufacturing activities. We are currently leasing an additional 2,400 square feet of office and conference room space with Stan Checketts Properties for \$1,800 per month. On March 15, 2010, Boomerang and SCP agreed to maintain these terms until September 30, 2011. On October 28, 2011, Boomerang and SCP amended the terms of the lease to provide for a monthly payment of \$14,940, effective as of October 1, 2011, and to extend the lease on a month-to-month basis. On November 1, 2011, deferred rental payments totaling \$133,571 were refinanced as part of the Offering described in Note 9 – Debt.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

SB&G is obligated on a twenty-year promissory note due August 1, 2027 owing to Zions Bank. The principal amount due was \$736,025 as of September 30, 2012, and the note bears interest at 3.807% per annum. The promissory note is collateralized by the real property that is the subject of the lease from SB&G to Boomerang Utah. Boomerang, the Estate of Gene Mulvihill and Messrs. Stan Checketts and Burton Koffman (“Koffman”) are the joint and several guarantors of this promissory note. Gene Mulvihill was the husband of Gail Mulvihill and the father of Christopher Mulvihill, the President of the Company.

The Estate of Gene Mulvihill and Mr. Koffman are the guarantors of a financing lease entered into on September 1, 2007 between Boomerang Utah and a nonaffiliated bank. The lease relates to certain equipment used by Boomerang Utah in its manufacturing operations. The total cost of the equipment was approximately \$900,000. The rental was payable in sixty monthly installments of approximately \$12,750, through August 31, 2012. At that time, Boomerang Utah had the option to purchase the equipment for approximately \$315,000 or refinance it for an additional twenty four months. Boomerang refinanced the rental over twenty four months and has the option to purchase the equipment for \$1 at the conclusion of the lease term. The lease commences on January 1, 2013 and ends on December 1, 2014, with twenty four monthly installments of approximately \$13,890.

The Company used the services of Coordinate Services, Inc. for product development. The owner of Coordinate Services, Inc., is Gene Mulvihill, Jr., the brother of Christopher Mulvihill, our President, and the son of Gail Mulvihill. The amount of this expense for the twelve months ended September 30, 2012 and 2011 was \$152,192 and \$158,879 respectively; which is recorded under research and development expenses.

The Company reimbursed North Jersey Management Services, Inc. for consulting expenses for the services of Joseph Bellantoni, the former Chief Financial Officer of the Company, and Maureen Cowell, the Company’s Corporate Secretary. Mr. Bellantoni is also the President and Mrs. Cowell is the Vice President of North Jersey Management Services, Inc. Mr. Bellantoni and Ms. Cowell are directors of the Company. The amount of this expense for the twelve months ended September 30, 2012 and 2011 was \$78,000 and \$78,000 respectively; which is recorded under general and administrative expenses.

In April 2010, we entered into a twenty-year ground lease with Route 94 Development Corporation (“Route 94”) to lease a portion of an approximately fifteen acre parcel in the town of Hamburg, located in Hardyston Township, New Jersey, on which we constructed a RoboticValet parking facility. The leased property is adjacent to Grand Cascades Lodge (“Cascades”), a hotel within the Crystal Springs Golf and Spa Resort (“the Resort”). The parking facility was constructed by Crystal Springs Builders, LLC (“Builders”). It is intended that this facility will be used by us primarily for demonstration and marketing purposes in the eastern portion of the United States. In consideration of the benefits to us under the terms of the lease, we agree to provide to the lessor and its affiliates parking and storage space within the facility at no cost to the lessor and its affiliates subject to our right to use the facility for demonstration purposes. In addition, we are required to pay the operating costs, premiums on the insurance required under the terms of the lease and incremental property taxes resulting from our construction of the facility. For a period of 60 months, commencing five years after execution of the lease, the lessor has the option to purchase the facility from us and we have a right to cause the lessor to buy from us the facility we construct. The price to be paid by the lessor upon exercise of its option to purchase the facility is 110% of the greater of (i) the depreciated value of the facility, or (ii) the fair market value of the facility, and the price to be paid by the lessor upon exercise of our right to cause the lessor to buy the facility is \$1.00.

The Resort owns and operates seven golf courses, two hotels and a fitness facility and develops real estate in Sussex County NJ, which is comprised of more than 40 additional entities, including the above named entities. Gail Mulvihill owns 50% of each of Builders, Cascades and Route 94 and, indirectly, through these and various other entities, Gail Mulvihill and her family own approximately 50% of the Resort. Except as set forth above, no other officer, director or 5% or greater stockholder of the Company has any equity interest in Builders, Cascades or Route 94. The Company incurred expenses of \$0 and approximately \$1,074,440 payable to Builders during the year ended September 30, 2012 and 2011, respectively. The Company incurred expenses of approximately \$115,000 and \$82,000 payable to Cascades for the year ended September 30, 2012 and 2011, respectively. No expenses were incurred for Route 94 during the year ended September 30, 2012 and 2011.

On May 14, 2010, the Company entered into a 6% convertible line of credit for up to \$1,300,000 with Sail Energy, a company owned by Gail Mulvihill, who has sole voting and investment control. In May 2011, it was agreed between the Company and Sail Energy that

there would be no additional borrowing under this line of credit. On November 1, 2011, outstanding principal and interest totaling \$300,142 was refinanced as part of the Offering described in Note 9 – Debt.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
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NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

In July 2010, Venturetek, LP, a principal stockholder of the Company, entered into a 6% convertible promissory note with the Company for \$273,000. On November 1, 2011, outstanding principal and interest totaling \$292,461 was refinanced as part of the Offering described in Note 9 – Debt.

From March to May 2011, the Company drew down the entire balance on its line of credit of \$3,250,000. In connection with the draw down, the Company issued notes in an aggregate amount of \$2,000,000 to four related parties. On November 1, 2011, outstanding principal and interest totaling approximately \$2,028,000 was refinanced as part of the Offering.

In October 2011, Atlantic and Madison of NJ Corp, a company owned by Gail Mulvihill, loaned the Company an aggregate of \$376,000 with the understanding that upon finalization of the documents related to a private placement by the Company, this loan would be considered an investment in such private placement. On October 28, 2011, Atlantic and Madison of NJ Corp caused the \$300,000 bank note to be paid in full. Accordingly, the Company became indebted to Atlantic and Madison of NJ Corp for an additional \$300,000. The loans did not bear interest and had no repayment terms.

On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill. On November 1, 2011, this outstanding debt was refinanced as part of the Offering.

On October 28, 2011, Lake Isle Corp caused the \$1,000,000 bank line of credit to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000, and this debt was refinanced on November 1, 2011, as part of the Offering.

On November 1, 2011, Mark Patterson, our Chief Executive Officer, loaned us \$100,000 with the understanding that upon finalization of the documents related to a private placement by the Company, this loan would be considered an investment in such private placement. The debt outstanding under this loan was refinanced on November 18, 2011, as part of the Offering. The loan did not bear interest and had no repayment terms.

In connection with the Offering, the following officers, directors, 5% stockholders and affiliates of the Company refinanced indebtedness in the amounts and for the Notes and Warrants listed below.

Name	Indebtedness Converted	Notes issued in Offering	Warrants issued in Offering
HSK Funding Inc. ⁽¹⁾	\$ 254,000	\$ 254,000	59,765
Lake Isle Corporation ⁽²⁾	\$ 1,761,917	\$ 1,761,917	414,570
Christopher Mulvihill ⁽³⁾	\$ 1,451,000 ⁽¹¹⁾	\$ 1,451,000	341,412
James Mulvihill TTEE Sunset Group Inc. PSP ⁽⁴⁾	\$ 253,917 ⁽¹²⁾	\$ 253,917	59,745
MRP Holdings LLC and Mark R Patterson Revocable Trust ⁽⁵⁾	\$ 608,014	\$ 608,014	143,063
Sail Energy LLC ⁽⁶⁾	\$ 300,142	\$ 300,142	70,622
Stan Checketts Properties, L.C. ⁽⁷⁾	\$ 133,571	\$ 133,571	31,429
SB&G Properties LLC ⁽⁸⁾	\$ 220,763	\$ 220,763	51,945
Venturetek L.P. ⁽⁹⁾	\$ 292,461	\$ 292,461	68,815
Albert Behler ⁽¹⁰⁾	\$ 507,972	\$ 507,972	119,523

(1) HSK Funding Inc. is a principal stockholder and a member of SB&G Properties LLC.

(2) Gail Mulvihill, the individual who exercises sole voting and investment control over Lake Isle Corporation, is the mother of Christopher Mulvihill, the Company's President, and is a principal stockholder. Lake Isle Corporation is a member of SB&G Properties LLC.

- (3) Christopher Mulvihill is the Company's President and director.
- (4) James Mulvihill is the brother of Christopher Mulvihill and son of Gail Mulvihill.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
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NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

- (5) MRP Holdings LLC, and Mark R Patterson Revocable Trust are owned by Mark Patterson, the Company's Chief Executive Officer and director.
- (6) Sail Energy LLC is owned by Gail Mulvihill.
- (7) Stan Checketts Properties, L.C. is owned by Stan Checketts, the Chief Executive Officer of the Company's wholly owned subsidiary and director of the Company, and is a principal stockholder. Stan Checketts Properties is a member of SB&G Properties LLC.
- (8) SB&G Properties LLC is owned by HSK Funding Inc., Stan Checketts Properties, Lake Isle Corporation and Venturetek L.P.
- (9) Venturetek L.P. is a principal stockholder and a member of SB&G Properties LLC.
- (10) Albert Behler is a principal stockholder of the Company.
- (11) Included in this balance is \$1,000,000 of indebtedness resulting from a bank line of credit that Lake Isle Corp. caused to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000.
- (12) On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill.

During the quarter ended June 30, 2012, the Resort paid \$50,000 to the Company for the purchase of mechanical parking equipment that will be provided by Boomerang-Stokes Mechanical Parking LLC. As of September 30, 2012, the Company has paid the amount in full to Boomerang-Stokes Mechanical Parking LLC.

In connection with the 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
MRP Holdings LLC(1)	\$ 150,000	30,000
Sail Energy, LLC(2)	\$ 510,000	102,000
Heather Mulvihill(3)	\$ 100,000	20,000
IA 545 Madison Assoc.(4)	\$ 250,000	50,000
Burton I. Koffman (4)	\$ 50,000	10,000
David Kent and Christine W. Koch(5)	\$ 75,000	15,000
Alexandria Equities, LLC (6)	\$ 1,000,000	200,000

- (1) Mark R. Patterson, the sole member of MRP Holdings LLC, is the Company's Chief Executive Officer and a director.
- (2) Sail Energy, LLC is owned by Gail Mulvihill, a principal stockholder and mother of Christopher Mulvihill, the Company's President and director.
- (3) Heather Mulvihill is the sister-in-law of Christopher Mulvihill and daughter-in-law of Gail Mulvihill.
- (4) Burton I. Koffman, a partner of IA 545 Madison Assoc., is a principal stockholder of the Company.
- (5) David Kent Koch is the Company's Chief Operating Officer.
- (6) Alexandria Equities, LLC became a 5% stockholder of the Company as a result of this purchase.

Our management believes that the terms of the above transactions are as favorable to our company as could have been obtained from nonaffiliated persons at the time and under the circumstances as when the transactions were entered into.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Boomerang Utah is a joint and several guarantor on a twenty-year promissory note owing to a non-affiliated bank in the principal amount of \$736,025, bearing interest at 3.807% per annum and due August 1, 2027. The promissory note is collateralized by the real property that is the subject of the lease from SB&G to Boomerang. The Estate of Gene Mulvihill and Messrs. Checketts and Koffman are the other joint and several guarantors of the promissory note.

We entered into a five year lease, commencing on December 1, 2011, on a new principal office, consisting of approximately 7,350 square feet, located at 30 B Vreeland Avenue, Florham Park, NJ. This is also the location of our sales and marketing activities.

BOOMERANG SYSTEMS INC., AND SUBSIDIARIES
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The aggregate future minimum annual rental payments, exclusive of escalation payments for taxes and operating costs, under operating leases are as follows:

Year ended September 30, 2013	\$ 142,406
September 30, 2014	147,919
September 30, 2015	153,431
September 30, 2016	158,944
September 30, 2017	26,644
Total	<u>\$ 629,344</u>

NOTE 13 – CONCENTRATION OF RISK

Financial instruments, which potentially expose the Company to concentrations of risk, consist primarily of cash and trade accounts receivable. At September 30, 2012, our cash balances did not exceed federally insured limits. The Company has not experienced any losses to date resulting from this policy. Certain vendors to the Company also accounted for a large representation of its purchases. The purchases from six vendors were in excess of 5% of purchases. The Company routinely assesses the financial strength of its customers, and as a consequence believes the concentration of these credit risks are limited.

NOTE 14 – SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the Company has reviewed events that have occurred after September 30, 2012, through the date of issuance of the financial statements.

On December 28, 2012, the Company issued to subscribers 6% convertible notes in the aggregate principal amount of \$3.0 million and warrants to purchase an aggregate of 600,000 shares of Common Stock in a private placement (the “December 2012 Offering”) for aggregate gross cash proceeds of \$3.0 million. Included in this transaction was the issuance of convertible notes in the aggregate principal amount of approximately \$1.85 million and warrants to purchase an aggregate of 369,000 shares of Common Stock to officers, directors, 5% stockholders and other affiliates for aggregate gross cash proceeds of approximately \$1.85 million. For each \$100,000 invested, a subscriber was issued a \$100,000 principal amount note and warrants to purchase 20,000 shares of the Company’s Common Stock.

In connection with the December 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the December 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
The Estate of Gene Mulvihill (1)	\$ 1,000,000	200,000
Heather Mulvihill (2)	\$ 100,000	20,000
MRP Holdings LLC (3)	\$ 100,000	20,000
Albert Behler (4)	\$ 250,000	50,000
Burton I Koffman (5)	\$ 145,000	29,000
Alexandria Equities, LLC (6)	\$ 250,000	50,000

- Gail Mulvihill, the administrator of the estate and individual who exercises shared voting and investment power over the
- (1) shares, is a principal stockholder and mother of Christopher Mulvihill, the Company’s President and a principal stockholder of the Company.
 - (2) Heather Mulvihill is the sister-in-law of Christopher Mulvihill, the Company’s President and a director and principal stockholder of the Company.
 - (3) MRP Holdings LLC is owned by Mark Patterson, the Company’s Chief Executive Officer and a director and principal stockholder of the Company.
 - (4) Albert Behler is a principal stockholder of the Company.

- (5) Directly and indirectly through various entities he controls. Burton I Koffman is a principal stockholder of the Company.
- (6) Alexandria Equities, LLC is a principal stockholder of the Company.

On December 31, 2012, the Company issued an aggregate of 90,328 shares of common stock in lieu of aggregate cash payments of \$269,565 of interest for the quarter ended December 31, 2012, including 40,116 shares of common stock to officers, directors, 5% stockholders and other affiliates in lieu of cash payments of \$119,757. Pursuant to the terms of the Notes and 2012 Notes, these shares of stock were issued at \$2.99 per share.

NEITHER THIS NOTE, NOR ANY SECURITY ISSUABLE UPON CONVERSION HEREOF, HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES LAWS. NO INTEREST IN THIS NOTE MAY BE OFFERED OR SOLD EXCEPT PURSUANT TO (i) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, OR (ii) AN EXEMPTION FROM REGISTRATION UNDER THE ACT WHERE THE HOLDER HAS FURNISHED TO THE COMPANY AN OPINION OF ITS COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT AN EXEMPTION FROM REGISTRATION UNDER THE ACT IS AVAILABLE.

THIS NOTE MAY HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID"). IF SO, BEGINNING NO LATER THAN 10 DAYS AFTER THE FUNDING DATE, AN INVESTOR MAY, UPON REQUEST, OBTAIN FROM THE COMPANY THE NOTE'S ISSUE PRICE, ISSUE DATE, AMOUNT OF OID AND YIELD TO MATURITY BY CONTACTING THE CHIEF FINANCIAL OFFICER OF THE COMPANY, AT [INSERT ADDRESS].

BOOMERANG SYSTEMS, INC.

6% CONVERTIBLE PROMISSORY NOTE

\$ _____

As of _____, 201__

Boomerang Systems, Inc., a Delaware corporation, (the "Company"), for value received, hereby promises to pay to the order of _____ or registered assigns (the "Holder"), the principal sum of _____ (\$_____) on December 31, 2017 (the "Maturity Date"), and interest on the unpaid principal balance hereof at the rate of six percent (6%) per annum, in arrears, quarterly, on March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 2013 (each such date an "Interest Payment Date"). This Note is one of a series of Notes (the "Notes") being issued to investors pursuant to a series of subscription agreements (the "Subscription Agreements") in connection with a private offering (the "Offering") of Notes and warrants to purchase shares of common stock of the Company (the "Warrants"), and includes those Notes and Warrants to be issued in connection with the Offering to certain holders of outstanding debt of the Company in exchange for cancellation of outstanding notes or debentures of the Company.

1. Interest and Payment

1.1 Interest shall be computed on the basis of the actual number of days elapsed in the period during which interest accrues and a year of 365 days.

1.2 At the option of the Company, the Company may pay a scheduled interest payment in a number of whole shares of common stock, par value \$0.001 per share ("Common Stock"), of the Company, in lieu of paying such interest in cash, equal to the quotient obtained by dividing the amount of accrued and unpaid interest payable on such Interest Payment Date by the lesser of: (i) the Conversion Price (as defined herein) then in effect, and (ii) a price equal to the average of the last sale price of the Common Stock during the ten (10) consecutive trading days ending on the fifth (5th) trading day immediately preceding the Interest Payment Date, provided, however, if the average daily trading volume ("ADTV") value during such ten (10) day period equals or exceeds \$100,000 per day, and then only subsection 1.2 (ii) shall be used for the calculation on such Interest Payment Date and subsection 1.2 (i) shall not apply and shall not be used for the calculation on such Interest Payment Date. ADTV will be determined in accordance with the rules and regulations of the Securities Exchange Act of 1934. No fractional shares of Common Stock will be issued to the Holder in lieu of cash interest. The Company may exercise its option to cause the Company to issue shares of Common Stock, in lieu of cash interest payable on an Interest Payment Date, by giving the Holder written notice of its exercise of such option at least three (3) Business Days (as defined herein) prior to such Interest Payment Date and, on the Interest Payment Date, the Company will instruct its transfer agent to issue to the Holder duly executed certificates for the number of whole shares of Common Stock so issuable to the Holder registered in the Holder's name, and, if applicable, a check payable to the Holder for any cash adjustment in lieu of a fractional share. "Business Day" means any day other than a Saturday, Sunday or other day on which banks in the City of New York, New York are authorized or required by law to be closed.

1.3 All payments received on account of this Note shall be applied first to the payment of accrued and unpaid interest on this Note and then to the reduction of the unpaid principal amount of this Note. In case the entire principal amount of this Note is paid or this Note is purchased by the Company, this Note shall be surrendered to the Company for cancellation and shall not be reissued, and no Note shall be issued in lieu of the paid principal amount of any Note.

1.4 If any payment due on account of this Note shall fall due on a day other than a Business Day, then such payment shall be made on the first Business Day following the day on which such payment shall have so fallen due; provided that if all or any portion of such payment shall consist of a payment of interest, for purposes of calculating such interest, such payment shall be deemed to have been originally due on such first following business day, such interest shall accrue and be payable to (but not including) the actual date of payment, and the amount of the next succeeding interest payment shall be adjusted accordingly.

1.5 Subject to Section 1.2, principal and interest due hereunder shall be paid in lawful money of the United States of America in immediately available federal funds or the equivalent at the address of the Holder set forth in Section 9.2 below, or at such other address as the Holder may designate.

2. Registration; Exercise; Substitution

2.1 The Company will keep at its principal executive office a register for the registration and transfer of this Note. The name and address of the Holder of this Note, each transfer hereof made in accordance with Section 2.2(a) and the name and address of each transferee of this Note shall be registered in such register. The person in whose name this Note shall be registered shall be deemed and treated as the owner and holder thereof, and the Company shall not be affected by any notice or knowledge to the contrary, other than in accordance with Section 2.2(a).

2.2 (a) Upon surrender of this Note at the principal executive office of the Company, duly endorsed or accompanied by a written instrument of transfer duly executed by the Holder or the Holder's attorney duly authorized in writing, the Company will execute and deliver, at the Company's expense, a new Note (or Notes) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Subject to Section 2.2(b), the new Note(s) shall be registered in such name(s) as the Holder may request. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note, if no interest shall have been paid thereon. Each such new Note shall carry the same rights to unpaid interest and interest to accrue on the unpaid principal amount thereof as were carried by the Note so exchanged or transferred.

(b) This Note has been acquired for investment and has not been registered under the securities laws of the United States of America or any state thereof. Accordingly, notwithstanding Section 2.2(a), neither this Note nor any interest thereon may be offered for sale, sold or transferred in the absence of registration and qualification of this Note under applicable federal and state securities laws or an opinion of counsel of the Holder reasonably satisfactory to the Company that such registration and qualification are not required. This Note shall not be transferred in denominations of less than \$1,000 and integral multiples thereof, provided that the Holder may transfer this Note as an entirety regardless of the principal amount thereof.

2.3 Upon receipt by the Company from the Holder of evidence of the loss, theft, destruction or mutilation of this Note and (a) in the case of loss, theft or destruction, upon indemnity reasonably satisfactory to the Company; or (b) in the case of mutilation, upon surrender and cancellation thereof; the Company at its own expense will execute and deliver, in lieu thereof, a replacement Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note, if no interest shall have been paid thereon.

2.4 The Company will pay taxes (if any) due (but not, in any event, income taxes of the Holder) in connection with and as the result of the initial issuance of this Note and in connection with any modification, waiver or amendment of this Note and shall save the Holder harmless, without limitation as to time, against any and all liabilities with respect to all such taxes.

3. [Intentionally Omitted].

4. Conversion.

4.1 The Holder may convert the outstanding principal amount of this Note, and accrued and unpaid interest thereon (or a portion of such outstanding principal amount as provided in Section 4.3) into fully paid and nonassessable shares of Common Stock of the Company ("Conversion Shares") at any time prior to the time the outstanding principal amount of this Note, and accrued and unpaid interest thereon is paid in full, at the Conversion Price (as defined herein) then in effect. The number of shares of Common Stock issuable upon conversion of this Note shall be determined by dividing the principal amount (and accrued and unpaid interest, if any) to be converted by the conversion price in effect on the Conversion Date (the "Conversion Price"). The initial Conversion Price is \$5.00 and is subject to adjustment as provided in this Section 4. The provisions of this Note that apply to conversion of the outstanding principal amount of this Note and accrued and unpaid interest thereon also apply to a partial conversion of this Note. The Holder is not entitled to any rights of a holder of Conversion Shares until the Holder has converted this Note (or a portion thereof) into Conversion Shares, and only to the extent that this Note is deemed to have been converted into Conversion Shares under this Section 4.

4.2 To convert all or a portion of this Note, the Holder must (a) complete and sign a notice of election to convert substantially in the form annexed hereto (each, a "Conversion Notice"), (b) surrender the Note to the Company, (c) if registered in a different name from the Holder, furnish appropriate endorsements or transfer documents if reasonably required by the Company and (d) if registered in a different name from the Holder, pay any transfer or similar tax, if required. The date on which the Holder satisfies all of such requirements is the conversion date (the "Conversion Date"). As soon as practicable, and in no event more than three (3) Business Days after the Conversion Date, the Company will (1) provided that: (a) the Company's Transfer Agent is participating in The Depository Trust Company's Fast Automated Securities Transfer Program, (b) the Conversion Shares are eligible for such program, (c) a registration statement covering the re-sale of the Conversion Shares is effective, and (d) on the Conversion Date a letter from a broker has been delivered to the Transfer Agent representing that all of the Conversion Shares were sold pursuant to the registration statement referred to in clause (c) (collectively, the "DTC FAST Requirements"), credit such aggregate number of shares of Common Stock to which the Holder shall be entitled to the Holder's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system, or (2) if any of the DTC Fast Requirements are not met, issue and deliver (via reputable overnight courier) to the address as specified in the Conversion Notice a certificate for the number of whole Conversion Shares issuable upon such conversion. The person in whose name the certificate for Conversion Shares is to be registered shall become the stockholder of record on the Conversion Date and, as of the Conversion Date, the rights of the Holder shall cease as to the portion thereof so converted; provided, however, that no surrender of a Note on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the person entitled to receive the Conversion Shares upon such conversion as the stockholder of record of such Conversion Shares on such date, but such surrender shall be effective to constitute the person entitled to receive such Conversion Shares as the stockholder of record thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open; provided, further that such conversion shall be at the Conversion Price in effect on the date that this Note shall have been surrendered for conversion, as if the stock transfer books of the Company had not been closed.

4.3 In the case of a partial conversion of this Note, upon such conversion, the Company shall execute and deliver to the Holder, at the expense of the Company, a new Note in an aggregate principal amount equal to the unconverted portion of the principal amount. This Note may be converted in part in a principal amount equal to \$10,000 or an integral multiple thereof, unless the outstanding principal amount of this Note is less than \$10,000, in which case, only such outstanding principal amount and accrued and unpaid interest thereon is convertible into Conversion Shares.

4.4 No fractional Conversion Shares shall be issued upon conversion of this Note. Instead of any fractional Conversion Share which would otherwise be issuable upon conversion of this Note, the Company shall round up to the next whole number of shares.

4.5 The issuance of certificates for Conversion Shares upon the conversion of this Note shall be made without charge to the Holder for such certificates or for any tax in respect of the issuance of such certificates, and such certificates shall be issued in the name of, or in such names as may be directed by, the Holder; provided, however, that in the event that certificates for Conversion Shares are to be issued in a name or names other than the name of the Holder, such Note, when surrendered for conversion, shall be accompanied by an instrument of transfer, in form reasonably satisfactory to the Company, duly executed by the Holder or its duly authorized attorney; and provided further, moreover, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificates in a name or names other than that of the Holder, and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the reasonable satisfaction of the Company that such tax has been paid or is not applicable.

4.6 (a) In case the Company shall pay or make a dividend or other distribution to all holders of its Common Stock or any class of capital stock that is payable in shares of Common Stock, the Conversion Price in effect at the opening of business on the day next following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction, of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination, and the denominator shall be the sum of the numerator and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day next following the date fixed for such determination. For the purposes of this Section 4.6(a), the number of shares of Common Stock at any time outstanding shall not include shares of Common Stock held in the treasury of the Company. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(b) In the event that the Company shall at any time prior to the conversion in full of the Note declare a dividend (other than a dividend consisting solely of shares of Common Stock) or otherwise distribute to its shareholders any monies, assets, property, rights, evidences of indebtedness, securities (other than shares of Common Stock), whether issued by the Company or by another person or entity, or any other thing of value, the Holder or Holders of the Note to the extent of the unconverted portion thereof shall thereafter be entitled, in addition to the shares of Common Stock or other securities receivable upon the conversion thereof, to receive, upon conversion of such unconverted portion of the Note, the same monies, property, assets, rights, evidences of indebtedness, securities or any other thing of value that they would have been entitled to receive at the time of such dividend or distribution. At the time of any such dividend or distribution, the Company shall make appropriate reserves to ensure the timely performance of the provisions of this Subsection.

(c) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case the outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(d) In case the Company shall fail to take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or other distribution payable in shares of Common Stock, then such record date shall be deemed to be the date of the issue of the shares of Common Stock deemed to have been issued as a result of the declaration of such dividend or other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

4.7 No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least one cent (\$.01) in the Conversion Price; provided, however, that any adjustments which by reason of this Section 4.7 are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

4.8 In the event that: (i) the Company takes any action which would require an adjustment in the Conversion Price; (ii) the Company takes any action described in Section 4.9(a), (b) or (c); or (iii) there is a dissolution or liquidation of the Company; the Holder may wish to convert this Note into shares of Conversion Shares prior to the record date for, or the effective date of the transaction, so that such Holder may receive the securities or assets which a holder of shares of Common Stock on that date may receive. Therefore, the Company shall give written notice to the Holder at least ten (10) Business Days in accordance with the provisions of this Section 4.8 stating the proposed record or effective date, as the case may be, which notice shall be given prior to the proposed record or effective date and, in any case, no later than notice of such transaction is given to holders of Common Stock. Failure to give such notice or any defect therein shall not affect the validity of any transaction referred to in clause (i), (ii) or (iii) of this Section.

4.9 If any of the following shall occur, namely:

(a) any reclassification or change of outstanding shares of Common Stock issuable upon conversion of this Note (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination);

(b) any consolidation or merger to which the Company is a party, other than a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value or as a result of a subdivision or combination) in, outstanding shares of Common Stock; or

(c) any sale or conveyance of all or substantially all of the property or business of the Company and its subsidiaries as an entirety;

then the Company, or such successor or purchasing corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, sale or conveyance, execute and deliver to the Holder, an agreement in form satisfactory to the Holder providing that the Holder shall have the right to convert this Note into the kind and amount of shares of stock and other securities and property (including cash) receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock deliverable upon conversion of this Note immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. Such agreement shall provide for adjustments of the Conversion Price which shall be as nearly equivalent as may be practicable to the adjustments of the Conversion Price provided for in this Section 4. If, in the case of any such consolidation, merger, sale or conveyance, the stock or other securities and property (including cash) receivable thereupon by a holder of Common Stock includes shares of stock or other securities and property of a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger, sale or conveyance, then such agreement shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the Holder as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provisions of this Section 4.9 shall similarly apply to successive reclassifications, changes, consolidations, mergers, sales or conveyances.

4.10 The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of this Note, the full number of Conversion Shares then issuable upon the conversion in full of this Note.

4.11 If the Company shall at any time after the date hereof and prior to the conversion of the Note in full issue any rights to subscribe for shares of Common Stock or any other securities of the Company or of such affiliate to all the shareholders of the Company, the Holder of the unconverted portion of the Note shall be entitled, in addition to the shares of Common Stock or other securities receivable upon the Conversion thereof, to receive such rights at the time such rights are distributed to the other shareholders of the Company.

4.12 In the event the Company shall, at any time, from time to time, issue or sell any additional shares of Common Stock (“Additional Shares of Common Stock”) (excluding shares issued or issuable as a dividend, distribution or combination as provided in Section 4.6 or an Exempt Issuance (as defined below)), without consideration or for a consideration per share (the “New Price”) less than the applicable Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, such Conversion Price shall be reduced, concurrently with such issue to the New Price; provided, however, that the Conversion Price shall not be adjusted pursuant to this Section 4.12 below \$0.25 (subject to adjustment pursuant to Section 4.6). “Exempt Issuance” means the issuance of (a) up to an aggregate of 1,250,000 shares of Common Stock, options or other stock-based awards or grants to employees, officers, directors or consultants of the Company pursuant to any existing stock or option plan or any future stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose and (b) securities upon the exercise or exchange of or conversion of the Notes and Warrants and/or securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of the Term Sheet.

4.13 If the Company in any manner issues or sells any Convertible Securities (as defined herein) and the lowest price per share for which one share of Common Stock is issuable upon such conversion or exchange or exercise thereof is less than the Conversion Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance of sale of such Convertible Securities for such price per share and shall trigger the adjustment provisions of Section 4.12. For the purposes of this Section 4.13, the “lowest price per share for which one share of Common Stock is issuable upon such conversion or exchange or exercise” shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the issuance or sale of the Convertible Securities and upon the conversion or exchange or exercise of such Convertible Securities. No further adjustment of the Conversion Price shall be made upon the actual issuance of such share of Common Stock upon conversion or exchange or exercise of such Convertible Securities at the price used to calculate the adjustment provisions of Section 4.12. “Convertible Securities” means any stock or securities directly or indirectly convertible into or exercisable or exchangeable for Common Stock.

4.14 Upon the occurrence of each adjustment pursuant to this Section 4, the Company, at its expense, will promptly compute such adjustment in accordance with the terms hereof and prepare and deliver to the Holder a certificate describing in reasonable detail such adjustment and the transactions giving rise thereto, including all facts upon which such adjustment is based.

4.15 On the Mandatory Conversion Date (defined below), the outstanding principal amount of this Note and accrued unpaid interest thereon, shall automatically, without action by the Holder or the Company convert into a number of Conversion Shares determined by dividing the outstanding principal amount of this Note plus accrued and unpaid interest thereon, by the Conversion Price in effect on the Mandatory Conversion Date. The “Mandatory Conversion Date” means the date on which (i) the last sale price of the Common Stock on 20 of the 30 immediately preceding trading days equals or exceeds 200% of the Conversion Price; (ii) the Conversion Shares are eligible for resale under an effective registration statement and/or Rule 144 promulgated under the Securities Act of 1933, as amended, without restriction as to volume or manner of sale and (iii) the ADTV during such 30 trading day period equals or exceeds \$500,000.

4.16 If the Company shall fail, for any reason or for no reason, to issue to the Holder within three (3) Business Days after the Company's receipt of a Conversion Notice (whether via facsimile or otherwise), a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company's share register or to credit the Holder's or its designee's balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion of any Conversion Amount (as the case may be) (a "Conversion Failure"), then, in addition to all other remedies available to the Holder, the Holder, upon written notice to the Company and prior to receipt of such shares of Common Stock, may void its Conversion Notice with respect to, and retain or have returned (as the case may be) any portion of this Note that has not been converted pursuant to such Conversion Notice, provided that the voiding of a Conversion Notice shall not affect the Company's obligations to make any payments which have accrued prior to the date of such notice pursuant to this Section 4.16 or otherwise. In addition to the foregoing, if within three (3) Business Days after the Company's receipt of a Conversion Notice (whether via facsimile or otherwise), the Company shall fail to issue and deliver a certificate to the Holder and register such shares of Common Stock on the Company's share register or credit the Holder's or its designee's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be), and if on or after such third (3rd) Business Day the Holder (or any other Person in respect, or on behalf, of the Holder) purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, issuable upon such conversion that the Holder so anticipated receiving from the Company, then, in addition to all other remedies available to the Holder, the Company shall, within three (3) Business Days after the Holder's request, pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) (the "Buy-In Price"), at which point the Company's obligation to so issue and deliver such certificate or credit the Holder's balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder's conversion hereunder (as the case may be) (and to issue such shares of Common Stock) shall terminate.

4.17 In the event that any provision contained in the 6% convertible promissory notes due in 2016 is amended in a favorable manner, such provision contained herein shall automatically be amended in the same manner; provided, however, that in no event shall the Conversion Price be adjusted below \$0.25 subject to as provided in Section 4.6.

5. Events of Default.

5.1 An "Event of Default" exists at any time if any of the following occurs (whether such occurrence shall be voluntary or come about or be effected by operation of law or otherwise):

(a) the Company defaults in the payment of the principal of this Note when due or defaults in the payment of accrued interest on this Note in cash on an Interest Payment Date (or within five (5) Business Days following the Initial Payment Date (the "Fifth Day") if interest is paid in stock in accordance with Section 1.2 and such stock is not delivered by the Fifth Day) and such default continues for a period of five (5) Business Days after the date such interest became due; or

(b) the Company's insolvency, assignment for the benefit of creditors, application for or appointment of a receiver, filing of a voluntary or involuntary petition under any provision of the U.S. Federal Bankruptcy Code or amendments thereto or any other federal or state statute affording relief to debtors; or there shall be commenced against the Company any such proceeding or filed against the Company any such application or petition which proceeding, application or petition is not dismissed or withdrawn within ninety (90) days of commencement or filing, as the case may be; or

(c) the occurrence and continuation of an event of default under any liabilities in excess of \$500,000 with respect to (i) borrowed money, (ii) the deferred purchase price of property acquired by the Company, (iii) capital leases, (iv) letters of credit or similar instruments serving a similar function issued or accepted by banks and other institutions for the account of the Company;

(d) the Company shall fail to observe or perform any covenant or agreement contained in this Note (other than Section 4.2) which failure is not cured, if possible to cure, within ten (10) Business Days after notice to the Company of such default sent by the Holder or by any other Holder; or

(e) the Company's notice to the Holder, including by way of public announcement, at any time, of its inability to comply or its intention not to comply with proper requests for conversion of this Note into shares of Common Stock; or

(f) any material representation or warranty made by the Company herein or in the Subscription Agreement, or in any other offering document shall prove to have been false or incorrect or breached in a material respect on the date as of which made.

5.2 Any amount of principal of, or interest on this Note which is not paid when due shall bear interest at the Default Rate (as defined herein) from the due date thereof until the same is paid. "Default Rate" means a rate of eighteen percent (18%) per annum, or such lesser rate equal to the highest rate permitted by applicable law.

5.3 If any Event of Default shall exist, the Holder may exercise any right, power or remedy permitted to such Holder by law, and shall have in particular, without limiting the generality of the foregoing, the right to declare the entire principal of, and all interest accrued and unpaid on, this Note then outstanding to be, and this Note shall thereupon become, forthwith due and payable, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, and the Company shall forthwith pay to the Holder such principal and interest.

5.4 During the continuance of an Event or Default and irrespective of whether this Note shall become due and payable pursuant to Section 5.2 and irrespective of whether the Holder shall otherwise have pursued or be pursuing any other rights or remedies, the Holder may proceed to protect and enforce its rights under this Note by exercising such remedies as are available to such holder in respect thereof under applicable law, either by suit in equity or by action at law, or both, whether for specific performance of any agreement contained herein or in aid of the exercise of any power granted herein.

5.5 No course of dealing on the part of the Holder nor any delay or failure on the part of the Holder to exercise any right shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers and remedies. All rights and remedies of the Holder hereunder and under applicable law are cumulative to, and not exclusive of, any other rights or remedies the Holder would otherwise have.

6. **Repayment upon Reorganization, Merger, Consolidation or Sales of Assets.** If at any time or from time to time after the date hereof there shall be: (i) a capital reorganization of the Company (other than by way of a stock split or combination of shares or stock dividends or distributions provided for in Section 4), or a merger or consolidation of the Company with or into another corporation where the holders of outstanding voting securities of the Company prior to such merger or consolidation do not own over fifty percent (50%) of the outstanding voting securities of the merged or consolidated entity, immediately after such merger or consolidation, or (ii) the sale of all or substantially all of the Company's properties or assets to any other person (in each case, an "Organic Change"), then as a part of such Organic Change, the Holder shall have the right, but not the obligation to demand prepayment of this Note together with all unpaid accrued interest during the period commencing on the date that it receives written notice (the "Organic Change Notice") from the Company that an Organic Change is contemplated or has occurred and ending on the later of (i) ten (10) business days after the date of the Organic Change Notice and (ii) the date on which the Organic Change is consummated.

7. **Covenants.** For so long as this Note is outstanding, without the prior written consent of the holders of at least a majority of the aggregate principal amount of the Notes (the "Required Note Holders"):

(a) The Company shall not create, incur, assume or suffer to exist, any indebtedness, contingent and otherwise, which should, in accordance with generally accepted accounting principles consistently applied, be classified upon the Company's balance sheet as liabilities and which would be senior or pari passu in right of payment to this Note, except for: (i) secured or unsecured debt issued to a bank or financial institution on commercially reasonable terms, or (ii) any other debt not to exceed \$5 million, individually, or in the aggregate.

(b) The Company shall, and shall cause each of its subsidiaries to, comply with all laws and duly observe and conform in all material respects to all valid requirements of governmental authorities relating to the conduct of its business or to its properties or assets.

(c) The Company shall not, and shall not permit its subsidiaries to, engage in any transactions with any officer, director, employee or any Affiliate of the Company, including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of \$50,000, other than: (i) for payment of reasonable salary for services actually rendered, as approved by the Board of Directors of the Company as fair in all respects to the Company, (ii) reimbursement for expenses incurred on behalf of the Company (iii) transactions and written arrangements in existence on the date of the initial issuance of this Note, and any amendments, modifications, cancellations, terminations, limitations and waivers approved by a majority of the independent disinterested directors of the Company.

(d) The Company shall not, and shall not permit any subsidiary to: (i) declare or pay any dividends or make any distributions to any holder(s) of Common Stock or such subsidiaries (other than dividends and distributions from a subsidiary to the Company) or (ii) purchase or otherwise acquire for value, directly or indirectly, any shares or other equity security of the Company, other than the Notes or Warrants.

8. Interpretation of this Note

8.1 Where any provision herein refers to action to be taken by any person, or which such person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such person, including actions taken by or on behalf of any partnership in which such person is a general partner.

8.2 (a) The titles of the Sections of this Note appear as a matter of convenience only, do not constitute a part hereof and shall not affect the construction hereof. The words “herein,” “hereof,” “hereunder” and “hereto” refer to this Note as a whole and not to any particular Section or other subdivision. References to Annexes and Sections are, unless otherwise specified, references to Sections of this Note. References to Annexes and Schedules are, unless otherwise specified, references to Schedules attached to this Note.

(b) Each covenant contained herein shall be construed (absent an express contrary provision herein) as being independent of each other covenant contained herein, and compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with one or more other covenants.

8.3 THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CHOICE OF LAW RULES WHICH WOULD REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION. IN ADDITION, THE PARTIES HERETO SELECT, TO THE EXTENT THEY MAY LAWFULLY DO SO, THE INTERNAL LAWS OF THE STATE OF NEW YORK AS THE APPLICABLE INTEREST LAW.

9. **Miscellaneous**

9.1 Nothing contained in this Note shall be construed as conferring upon the Holder or any other person the right to vote or to consent or to receive notice as a stockholder in respect of meetings of stockholders for the election of directors of the Company or any other matters or any rights whatsoever as a stockholder of the Company; and no dividends or interest shall be payable or accrued in respect of this Note or the interest represented hereby or the Conversion Shares obtainable hereunder until, and only to the extent that, this Note has been converted.

9.2 All communications under this Note shall be in writing and shall be delivered either by nationwide overnight courier, by facsimile transmission (confirmed by delivery by nationwide overnight courier sent on the day of the sending of such facsimile transmission) or electronic delivery (if the Holder has provided an email address). Communications to the Company shall be addressed as set forth on Annex 1, or at such other address of which the Company shall have notified the Holder. Communications to the Holder shall be addressed as set forth on Annex 1, or at such other address of which such Holder shall have notified the Company (and the Company shall record such address in the register for the registration and transfer of this Note). Any communication addressed and delivered as herein provided shall be deemed to be received when actually delivered to the address of the addressee (whether or not delivery is accepted) or received by the telecopy machine of the recipient. Any communication not so addressed and delivered shall be ineffective. Notwithstanding the foregoing provisions of this Section 9.2, service of process in any suit, action or proceeding arising out of or relating to this Note or any transaction contemplated hereby, or any action or proceeding to execute or otherwise enforce any judgment in respect of any breach hereunder or under any document hereby, shall be delivered in the manner provided in Section 9.5(c).

9.3 The provisions hereof are intended to be for the benefit of the Holder, from time to time, of this Note, and shall be enforceable by any such Holder whether or not an express assignment to such Holder of rights hereunder shall have been made by the payee or his successors or assigns. In the event that the payee named herein transfers or assigns less than all of this Note, the term "Holder" as used herein shall be deemed to refer to the assignor and assignee or assignees hereof, collectively, and any action permitted to be taken by the Holder hereunder shall be taken only upon the consent or approval of persons comprising the Holder that own that percentage interest in the principal amount of this Note as shall be designated by the payee named herein at the time of such assignment.

9.4 (a) This Note may be amended, and the observance of any term hereof may be waived, with (and only with) the written consent of the Company and the Holder.

(b) Any amendment or waiver consented to as provided in this Section 9.4 shall be binding upon the then current Holder and upon each future holder of this Note and upon the Company whether or not this Note shall have been marked to indicate such amendment or waiver. No such amendment or waiver shall extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon.

9.5 (a) THE PARTIES HERETO VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR TRANSACTIONS CONTEMPLATED HEREBY.

(b) ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR TRANSACTIONS CONTEMPLATED HEREBY OR ANY ACTION OR PROCEEDING TO EXECUTE OR OTHERWISE ENFORCE ANY JUDGMENT IN RESPECT OF ANY BREACH UNDER THIS NOTE MAY BE BROUGHT BY SUCH PARTY IN ANY FEDERAL DISTRICT COURT LOCATED IN NEW YORK, NEW YORK, OR ANY NEW YORK STATE COURT LOCATED IN NEW YORK, NEW YORK AS SUCH PARTY MAY IN ITS SOLE DISCRETION ELECT, AND BY THE EXECUTION AND DELIVERY OF THIS NOTE, THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMIT TO THE NON-EXCLUSIVE IN PERSONAM JURISDICTION OF EACH SUCH COURT, AND EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES AND AGREES NOT TO ASSERT IN ANY PROCEEDING BEFORE ANY TRIBUNAL, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, ANY CLAIM THAT IT IS NOT SUBJECT TO THE IN PERSONAM JURISDICTION OF ANY SUCH COURT. IN ADDITION, EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR TRANSACTION CONTEMPLATED HEREBY BROUGHT IN ANY SUCH COURT, AND HEREBY IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY HERETO IRREVOCABLY AGREES THAT PROCESS PERSONALLY SERVED OR SERVED BY U.S. EXPRESS, REGISTERED OR CERTIFIED MAIL OR BY NATIONWIDE OVERNIGHT COMMERCIAL COURIER OR DELIVERY SERVICE AT THE ADDRESSES PROVIDED HEREIN FOR NOTICES SHALL CONSTITUTE, TO THE EXTENT PERMITTED BY LAW, ADEQUATE SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR TRANSACTION CONTEMPLATED HEREBY, OR ANY ACTION OR PROCEEDING TO EXECUTE OR OTHERWISE ENFORCE ANY JUDGMENT IN RESPECT OF ANY BREACH HEREUNDER. RECEIPT OF PROCESS SO SERVED SHALL BE CONCLUSIVELY PRESUMED AS EVIDENCED BY A DELIVERY RECEIPT FURNISHED BY THE UNITED STATES POSTAL SERVICE OR ANY COMMERCIAL DELIVERY SERVICE.

(d) NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF ANY HOLDER OF THIS NOTE TO SERVE ANY WRITS, PROCESS OR SUMMONSES IN ANY MANNER PERMITTED BY APPLICABLE LAW OR TO OBTAIN JURISDICTION OVER THE COMPANY IN SUCH OTHER JURISDICTION, AND IN SUCH OTHER MANNER, AS MAY BE PERMITTED BY APPLICABLE LAW.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed and delivered by one of its duly authorized officers or representatives.

BOOMERANG SYSTEMS, INC.

By: _____
Name:
Title:

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Annex I

- (1) If to the Company, to:
Boomerang Systems, Inc.
30B Vreeland Road
Florham Park, New Jersey 07932
Attention: Chief Executive Officer
Telephone No.: ()
Facsimile No.: ()

- (2) If to the payee, to:

Attention:

Telephone No.: () -
Facsimile No.: () -
Email:

[FORM OF ELECTION TO CONVERT]

The undersigned hereby elects to exercise its right, pursuant to the 6% Convertible Promissory Note due December 31, 2017 (the "Note") of Boomerang Systems, Inc. (the "Company") in the outstanding principal amount of \$_____, which Note is tendered herewith, to convert \$_____ of the principal amount outstanding (plus accrued interest thereon) under the Note into _____ shares of the common stock \$0.001 par value per share of the Company (the "Shares"), all in accordance with the terms of the Note.

The undersigned requests that [the Company credit the undersigned's or its designee's balance account with DTC for such number of shares of Common Stock] [a Certificate for such Shares be registered in the name of _____, whose address is _____, and that such Certificate be delivered to _____, whose address is _____], [and that a replacement Note in the principal amount of \$_____, representing the balance of the principal amount outstanding thereunder after giving effect to this conversion, be issued in the amount of \$_____ and delivered to _____, whose address is _____].

Dated:

Signature:

(Signature must conform in all respects to name of
Holder as specified on the face of the Note.)

(Insert Social Security or Other
Identifying Number of Holder)

(Address)

(Address)

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

THE NUMBER OF SHARES THAT MAY BE EXERCISED BY THIS WARRANT MAY BE LESS THAN THE NUMBER LISTED BELOW. SEE SECTION 1.

BOOMERANG SYSTEMS, INC.

WARRANT TO PURCHASE COMMON STOCK

Warrant No.: BSW____

Date of Issuance: _____, 201_ (“**Issuance Date**”)

BOOMERANG SYSTEMS, INC., a Delaware corporation (the “**Company**”), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, _____, the registered holder hereof or its permitted assigns (the “**Holder**”), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon exercise of this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, the “**Warrant**”), at any time or times on or after the Issuance Date, but not after 11:59 p.m., New York time, on the Expiration Date (as defined below), _____ (subject to adjustment as provided herein) fully paid and non-assessable shares of Common Stock (as defined below) (the “**Warrant Shares**”). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 16. This Warrant is one of the Warrants to Purchase Common Stock (the “**Warrants**”) issued pursuant to Section 1 of that certain Subscription Agreement, dated as of _____, 201_, by and between the Company and the Holder (the “**Subscription Agreement**”).

1. EXERCISE OF WARRANT.

(a) **Mechanics of Exercise.** Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any day on or after the Issuance Date, in whole or in part, by delivery (whether via facsimile or otherwise) of a written notice, in the form attached hereto as **Exhibit A** (the “**Exercise Notice**”), of the Holder’s election to exercise this Warrant and Representations and Warranties in the form attached hereto as **Exhibit B**. On the Trading Day on which this Warrant is exercised, the Holder shall deliver payment to the Company of an amount equal to the Exercise Price in effect on the date of such exercise multiplied by the number of Warrant Shares as to which this Warrant was so exercised (the “**Aggregate Exercise Price**”) in cash or via wire transfer of immediately available funds if the Holder did not notify the Company in such Exercise Notice that such exercise was made pursuant to a Cashless Exercise (as defined in Section 1(d)). The Holder shall not be required to deliver the original of this Warrant in order to effect an exercise hereunder. Execution and delivery of an Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original of this Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. Execution and delivery of an Exercise Notice for all of the then-remaining Warrant Shares shall have the same effect as cancellation of the original of this Warrant after delivery of the Warrant Shares in accordance with the terms hereof. On or before the third (3rd) Trading Day following the date on which the Company has received an Exercise Notice, the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of such Exercise Notice, in the form attached hereto as **Exhibit C**, to the Holder and the Company’s transfer agent (the “**Transfer Agent**”). On or before the third (3rd) Trading Day following the date on which the Company has received such Exercise Notice, the Company will (1) provided that: (a) the Company’s Transfer Agent is participating in The Depository Trust Company’s Fast Automated Securities Transfer Program, (b) the Warrant Shares are eligible for such program, (c) a registration statement covering the re-sale of the Warrant Shares is effective, and (d) on the date on which the Company has received the Exercise Notice, a letter from a broker is delivered to the Transfer Agent representing that all of the Warrant Shares were sold pursuant to the registration statement referred to in clause (c) (collectively, the “**DTC FAST Requirements**”), credit such aggregate number of shares of Common Stock to which the Holder shall be entitled to the Holder’s or its designee’s balance account with DTC through its Deposit/Withdrawal at Custodian system, or (2) if all of the DTC Fast Requirements are not met, instruct its transfer agent to issue and deliver to the Holder or, at the Holder’s instruction pursuant to the Exercise Notice, the Holder’s agent or designee, in each case, sent by reputable overnight courier to the address as specified in the applicable Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee (as indicated in the applicable Exercise Notice), for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of an Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder’s DTC account or the date of delivery of the certificates evidencing such Warrant Shares (as the case may be). If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then, at the request of the Holder, the Company shall as soon as practicable and in no event later than three (3) Business Days after any exercise and at its own expense, issue and deliver to the Holder (or its designee) a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded up to the nearest whole number. The Company shall pay any and all taxes and fees which may be payable with respect to the issuance and delivery of Warrant Shares to the Holder upon exercise of this Warrant.

(b) Exercise Price. For purposes of this Warrant, “**Exercise Price**” means \$5.00, subject to adjustment as provided herein.

(c) Company’s Failure to Timely Deliver Securities. If the Company shall fail, for any reason or for no reason, to issue to the Holder within three (3) Trading Days after receipt of the applicable Exercise Notice, a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company’s share register, or to credit the Holder’s balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder’s exercise of this Warrant if the Warrant Shares are eligible for the Program (as the case may be) (a “**Delivery Failure**”), then, in addition to all other remedies available to the Holder, if on or after such third (3rd) Trading Day the Holder (or any other Person in respect, or on behalf, of the Holder) purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, issuable upon such exercise that the Holder so anticipated receiving from the Company, the Company shall, within three (3) Business Days after the Holder’s request pay cash to the Holder in an amount equal to the Holder’s total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including, without limitation, by any other Person in respect, or on behalf, of the Holder) (the “**Buy-In Price**”), at which point the Company’s obligation to so issue and deliver such certificate or credit the Holder’s balance account with DTC for the number of shares of Common Stock to which the Holder is entitled upon the Holder’s exercise hereunder (as the case may be) (and to issue such shares of Common Stock) shall terminate.

(d) Cashless Exercise. Notwithstanding anything contained herein to the contrary (other than Section 1(f) below), if the average daily trading volume equals or exceeds 10,000 shares of Common Stock during at least five (5) of the ten (10) consecutive Trading Days immediately preceding the date of the Exercise Notice, then the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the “Net Number” of shares of Common Stock determined according to the following formula (a “**Cashless Exercise**”):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B= the a price equal to the average of the last sale price of the Common Stock during the five (5) consecutive trading days ending on the trading day immediately preceding the date of the applicable Exercise Notice if such Exercise Notice is both executed and delivered pursuant to Section 1(a) hereof.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the number of Warrant Shares to be issued pursuant to the terms hereof, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 13.

(f) Limitations on Exercises. Notwithstanding anything to the contrary contained in this Warrant, this Warrant shall not be exercisable by the Holder hereof to the extent (but only to the extent) that the Holder or any of its affiliates would beneficially own in excess of 4.9% (the “**Maximum Percentage**”) of the Common Stock. To the extent the above limitation applies, the determination of whether this Warrant shall be exercisable (vis-à-vis other convertible, exercisable or exchangeable securities owned by the Holder or any of its affiliates) and of which such securities shall be exercisable (as among all such securities owned by the Holder) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to the Company for conversion, exercise or exchange (as the case may be). No prior inability to exercise this Warrant pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of exercisability. For the purposes of this paragraph, beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(d) of the 1934 Act (as defined in the Subscription Agreement) and the rules and regulations promulgated thereunder. The provisions of this paragraph shall be implemented in a manner otherwise than in strict conformity with the terms of this paragraph to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this paragraph shall apply to a successor Holder of this Warrant. The holders of Common Stock shall be third party beneficiaries of this paragraph and the Company may not waive this paragraph without the consent of holders of a majority of its Common Stock. For any reason at any time, upon the written request of the Holder, the Company shall within one (1) Business Day confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding, including by virtue of any prior conversion or exercise of convertible or exercisable securities into Common Stock, including, without limitation, pursuant to this Warrant or securities issued pursuant to the Subscription Agreement.

(g) Insufficient Authorized Shares. The Company shall at all times keep reserved for issuance under this Warrant a number of shares of Common Stock as shall be necessary to satisfy the Company's obligation to issue shares of Common Stock hereunder (without regard to any limitation otherwise contained herein with respect to the number of shares of Common Stock that may be acquirable upon exercise of this Warrant). If, notwithstanding the foregoing, and not in limitation thereof, at any time while any of the Warrants remain outstanding the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation (an "**Authorized Share Failure**"), to reserve for issuance upon exercise of the Warrants at least a number of shares of Common Stock equal to the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of all of the Warrants then outstanding (the "**Required Reserve Amount**") then the Company shall immediately take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the Required Reserve Amount for all the Warrants then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than sixty (60) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its best efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 2.

(a) Stock Dividends and Splits. Without limiting any provision of Section 2(b), if the Company, at any time on or after the date of the Subscription Agreement, (i) pays a stock dividend on one or more classes of its then outstanding shares of Common Stock or otherwise makes a distribution on any class of capital stock that is payable in shares of Common Stock, (ii) subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its then outstanding shares of Common Stock into a larger number of shares or (iii) combines (by combination, reverse stock split or otherwise) one or more classes of its then outstanding shares of Common Stock into a smaller number of shares, then in each such case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clause (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this paragraph occurs during the period that an Exercise Price is calculated hereunder, then the calculation of such Exercise Price shall be adjusted appropriately to reflect such event.

(b) Adjustment Upon Issuance of Shares of Common Stock.

(i) In the event the Company shall, at any time, from time to time, issue or sell any additional shares of Common Stock (“**Additional Shares of Common Stock**”) (excluding shares issued or issuable as a dividend, distribution or combination as provided in Section 2(a) or an Exempt Issuance (as defined below)), without consideration or for a consideration per share (the “**New Price**”) less than the applicable Exercise Price in effect on the date of and immediately prior to such issue, then and in such event, such Exercise Price shall be reduced, concurrently with such issue to the New Price; provided, however, that the Exercise Price shall not be adjusted pursuant to this Section 2(b) below \$0.25 (subject to adjustment pursuant to Section 2(a) and 2(d)). “**Exempt Issuance**” means the issuance of (a) shares of Common Stock, options or other stock-based awards or grants to employees, officers, directors or consultants (provided that such issuances to consultants shall not exceed 1,250,000 shares of Common Stock of the Company) pursuant to any existing stock or option plan or any future stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose and (b) securities upon the exercise or exchange of or conversion of the Notes and Warrants and/or securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of the Term Sheet.

(ii) If the Company in any manner issues or sells any Convertible Securities (as defined herein) and the lowest price per share for which one share of Common Stock is issuable upon such conversion or exchange or exercise thereof is less than the Exercise Price, then such share of Common Stock shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance of sale of such Convertible Securities for such price per share and shall trigger the adjustment provisions of Section 2(b)(i). For the purposes of this Section 2(b)(ii), the “lowest price per share for which one share of Common Stock is issuable upon such conversion or exchange or exercise” shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the issuance or sale of the Convertible Securities and upon the conversion or exchange or exercise of such Convertible Securities. No further adjustment of the Conversion Price shall be made upon the actual issuance of such share of Common Stock upon conversion or exchange or exercise of such Convertible Securities at the price used to calculate the adjustment provisions of Section 2(b)(i). “**Convertible Securities**” means any stock or securities directly or indirectly convertible into or exercisable or exchangeable for Common Stock.

(iii) Record Date. With respect to Section 2(b), if the Company takes a record of the holders of shares of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in shares of Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase shares of Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase (as the case may be).

(c) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to paragraphs (a) or (b) of this Section 2, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately up to the nearest full Warrant Share, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment (without regard to any limitations on exercise contained herein).

(d) Other Events. In the event that the Company (or any Subsidiary (as defined in the Subscription Agreement)) shall take any action to which the provisions hereof are not strictly applicable, or, if applicable, would not operate to protect the Holder from dilution or if any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features other than Exempt Issuances), then the Company's board of directors shall in good faith determine and implement an appropriate adjustment in the Exercise Price and the number of Warrant Shares (if applicable) so as to protect the rights of the Holder, provided that no such adjustment pursuant to this Section 2(d) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2, provided further that if the Holder does not accept such adjustments as appropriately protecting its interests hereunder against such dilution, then the Company's board of directors and the Holder shall agree, in good faith, upon an independent investment bank of nationally recognized standing to make such appropriate adjustments, whose determination shall be final and binding and whose fees and expenses shall be borne by the Company.

(e) Calculations. All calculations under this Section 2 shall be made by rounding to the nearest cent or the nearest whole share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

3. RIGHTS UPON DISTRIBUTION OF ASSETS. In addition to any adjustments pursuant to Section 2 above, if the Company shall declare or make any dividend (other than a dividend consisting solely of shares of Common Stock) or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities (other than shares of Common Stock), property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case, the Holder to the extent of the unexercised portion of the Warrant shall, in addition to the shares of Common Stock or other securities receivable upon exercise thereof, receive upon exercise of such unexercised portion of the Warrant, the same cash, stock, other securities or any other thing of value that they would have been entitled to receive at the time of such dividend or Distribution. At the time of any such dividend or Distribution, the Company shall make appropriate reserves to ensure the timely performance of the provisions of this Section 3.

4. FUNDAMENTAL TRANSACTIONS.

(a) If the Company engages in a Fundamental Transaction lawful and adequate provisions shall be made whereby the Holder shall thereafter have the right to purchase and receive upon the terms and conditions specified in this Warrant and in lieu of the Warrant Shares immediately theretofore receivable upon the exercise of the rights represented hereby, such shares of capital stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of Warrant Shares immediately theretofore so receivable had such Fundamental Transaction not taken place, and in any such case appropriate provision reasonably satisfactory to such Holder shall be made with respect to the rights and interests of such Holder to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of Warrant Shares receivable upon the exercise) shall thereafter be applicable, as nearly as possible, in relation to any shares of capital stock, securities or assets thereafter deliverable upon the exercise of Warrants.

(b) In the event of a Fundamental Transaction as a result of which a number of shares of Common Stock or its equivalent of the successor Person greater or lesser than the number of shares of Common Stock outstanding immediately prior to such Fundamental Transaction are issuable to holders of Common Stock, then the Exercise Price in effect immediately prior to such merger, share exchange or consolidation shall be adjusted in the same manner as though there were a subdivision or combination of the outstanding shares of Common Stock.

(c) The Company shall not effect any such Fundamental Transaction unless prior to or simultaneously with the consummation thereof the successor Person (if other than the Company) resulting from such Fundamental Transaction purchasing or otherwise acquiring such assets shall have assumed by written instrument executed and mailed or delivered to the Holder at the last address of such Holder appearing on the books of the Company, the obligation to deliver to such Holder such shares of capital stock, securities or assets as, in accordance with the foregoing provisions, such Holder may be entitled to receive, and all other liabilities and obligations of the Company hereunder. Upon written request by the Holder, such successor Person will issue a new warrant revised to reflect the modifications in this Warrant effected pursuant to this Section 4.

(d) The Company shall not effect a Fundamental Transaction with the Person having made such offer or with any affiliate of such Person, unless prior to the consummation of such Fundamental Transaction the holder hereof shall have received 10 days prior written notice of the Fundamental Transaction from the Company or the reasonable opportunity (and in no event less than ten (10) Business Days) to then elect to receive upon the exercise of the Warrants either the capital stock, securities or assets then issuable with respect to the Common Stock or the capital stock, securities or assets, or the equivalent, issued to previous holders of the Common Stock in accordance with such offer.

(e) Application. The provisions of this Section 4 shall apply similarly and equally to successive Fundamental Transactions and shall be applied as if this Warrant (and any such subsequent warrants) were fully exercisable and without regard to any limitations on the exercise of this Warrant (provided that the Holder shall continue to be entitled to the benefit of the Maximum Percentage, applied however with respect to shares of capital stock registered under the 1934 Act and thereafter receivable upon exercise of this Warrant (or any such other warrant)).

5. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation (as defined in the Subscription Agreement), Bylaws (as defined in the Subscription Agreement) or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as any of the Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Warrants, the maximum number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the Warrants then outstanding (without regard to any limitations on exercise).

6. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in its capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in its capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which it is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders.

7. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, no warrants for fractional shares of Common Stock shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

8. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 9.2 of the Note. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) promptly upon each adjustment of the Exercise Price and the number of Warrant Shares, setting forth in reasonable detail, and certifying, the calculation of such adjustment(s) and (ii) at least ten (10) days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the shares of Common Stock, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of its Subsidiaries, the Company shall simultaneously file such notice with the SEC (as defined in the Subscription Agreement) pursuant to a Current Report on Form 8-K. It is expressly understood and agreed that the time of execution specified by the Holder in each Exercise Notice shall be definitive and may not be disputed or challenged by the Company.

9. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant (other than Section 1(f)(i)) may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder. The Holder shall be entitled, at its option, to the benefit of any amendment of (i) any other similar warrant issued under the Subscription Agreement or (ii) any other similar warrant. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

10. SEVERABILITY. If any provision of this Warrant is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Warrant so long as this Warrant as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

11. GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Nothing contained herein shall be deemed or operate to preclude the Holder from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Holder or to enforce a judgment or other court ruling in favor of the Holder. **THE COMPANY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT OR ANY TRANSACTION CONTEMPLATED HEREBY.**

12. CONSTRUCTION; HEADINGS. This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any Person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant. Terms used in this Warrant but defined in the other Transaction Documents (as defined in the Subscription Agreement) shall have the meanings ascribed to such terms on the Closing Date (as defined in the Subscription Agreement) in such other Transaction Documents unless otherwise consented to in writing by the Holder.

13. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price, the Closing Sale Price or fair market value or the arithmetic calculation of the Warrant Shares (as the case may be), the Company or the Holder (as the case may be) shall submit the disputed determinations or arithmetic calculations (as the case may be) via facsimile (i) within two (2) Business Days after receipt of the applicable notice giving rise to such dispute to the Company or the Holder (as the case may be) or (ii) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute (including, without limitation, as to whether any issuance or sale or deemed issuance or sale was an issuance or sale or deemed issuance or sale of Excluded Securities). If the Holder and the Company are unable to agree upon such determination or calculation (as the case may be) of the Exercise Price, the Closing Sale Price or fair market value or the number of Warrant Shares (as the case may be) within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Company or the Holder (as the case may be), then the Company shall, within two (2) Business Days submit via facsimile (a) the disputed determination of the Exercise Price, the Closing Sale Price or fair market value (as the case may be) to an independent, reputable investment bank selected by the Holder and reasonably acceptable to the Company or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant and reasonably acceptable to the Holder. The Company shall cause at its expense the investment bank or the accountant (as the case may be) to perform the determinations or calculations (as the case may be) and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives such disputed determinations or calculations (as the case may be). Such investment bank's or accountant's determination or calculation (as the case may be) shall be binding upon all parties absent demonstrable error.

14. REMEDIES, CHARACTERIZATION, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company covenants to the Holder that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, exercises and the like (and the computation thereof) shall be the amounts to be received by the Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company shall provide all information and documentation to the Holder that is reasonably requested by the Holder to enable the Holder to confirm the Company's compliance with the terms and conditions of this Warrant (including, without limitation, compliance with Section 2 hereof). The issuance of shares and certificates for shares as contemplated hereby upon the exercise of this Warrant shall be made without charge to the Holder or such shares for any issuance tax or other costs in respect thereof, provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than the Holder or its agent on its behalf.

15. TRANSFER. This Warrant has been acquired for investment and has not been registered under the securities laws of the United States of America or any state thereof. Accordingly, notwithstanding Section 2.2(a), neither this Note nor any interest thereon may be offered for sale, sold or transferred in the absence of registration and qualification of this Note under applicable federal and state securities laws or an opinion of counsel of the Holder reasonably satisfactory to the Company that such registration and qualification are not required.

16. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) “**Bloomberg**” means Bloomberg, L.P.

(b) “**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(c) “**Closing Sale Price**” means, for any security as of any date, the last closing trade price for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing trade price, then the last trade price of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last trade price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing does not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no last trade price is reported for such security by Bloomberg, the average of the ask prices of any market makers for such security as reported in the “pink sheets” by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 12. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(d) “**Common Stock**” means (i) the Company’s shares of common stock, \$0.001 par value per share, and (ii) any capital stock into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(e) “**Expiration Date**” means December 31, 2017 or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a “**Holiday**”), the next date that is not a Holiday.

(f) **“Fundamental Transaction”** means that (i) the Company shall, directly or indirectly, in one or more related transactions, (1) consolidate or merge with or into (whether or not the Company is the surviving corporation) any other Person, or (2) sell, lease, license, assign, transfer, convey or otherwise dispose of all or substantially all of its respective properties or assets to any other Person, or (3) facilitate any other Person to make a purchase, tender or exchange offer that is accepted by the holders of more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (4) consummate a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with any other Person whereby such other Person acquires more than 50% of the outstanding shares of Voting Stock of the Company (not including any shares of Voting Stock of the Company held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination), or (5) (I) reorganize, recapitalize or reclassify the Common Stock, (II) effect or consummate a stock combination, reverse stock split or other similar transaction involving the Common Stock or (III) make any public announcement or disclosure with respect to any stock combination, reverse stock split or other similar transaction involving the Common Stock (including, without limitation, any public announcement or disclosure of (x) any potential, possible or actual stock combination, reverse stock split or other similar transaction involving the Common Stock or (y) board or stockholder approval thereof, or the intention of the Company to seek board or stockholder approval of any stock combination, reverse stock split or other similar transaction involving the Common Stock), or (ii) any “person” or “group” (as these terms are used for purposes of Sections 13(d) and 14(d) of the 1934 Act and the rules and regulations promulgated thereunder) is or shall become the “beneficial owner” (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Voting Stock of the Company.

(g) **“Options”** means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(h) **“Parent Entity”** of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(i) **“Person”** means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(j) **“Principal Market”** means The New York Stock Exchange, the NYSE Amex, the Nasdaq Global Select Market, the Nasdaq Capital Market, the OTC Bulletin Board or the OTC Markets, as the case may be on which the Common Stock is listed or quoted for trading.

(k) “**Successor Entity**” means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(l) “**Trading Day**” means, as applicable, (x) with respect to all price determinations relating to the Common Stock, any day on which the Common Stock is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock is then traded, provided that “Trading Day” shall not include any day on which the Common Stock is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m., New York time) unless such day is otherwise designated as a Trading Day in writing by the Holder or (y) with respect to all determinations other than price determinations relating to the Common Stock, any day on which The New York Stock Exchange (or any successor thereto) is open for trading of securities.

(m) “**Voting Stock**” of a Person means capital stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power to elect, or the general power to appoint, at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

[signature page follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

BOOMERANG SYSTEMS, INC.

By: _____
Name:
Title:

EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE COMMON STOCK

BOOMERANG SYSTEMS, INC.

The undersigned holder hereby exercises the right to purchase _____ of the shares of Common Stock (“**Warrant Shares**”) of Boomerang Systems, Inc., a Delaware corporation (the “**Company**”), evidenced by Warrant No. _____ (the “**Warrant**”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

_____ a “Cash Exercise” with respect to _____ Warrant Shares; and/or

_____ a “Cashless Exercise” with respect to _____ Warrant Shares.

2. Payment of Exercise Price. In the event that the Holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the Holder has paid to the Company the Aggregate Exercise Price in the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to Holder, or its designee or agent as specified below, _____ Warrant Shares in accordance with the terms of the Warrant. Delivery shall be made to Holder, or for its benefit, to the following address:

Date: _____, _____

Name of Registered Holder

By: _____

Name:

Title:

REPRESENTATIONS AND WARRANTIES

The undersigned Holder, in connection with the exercise of this Warrant, hereby represents and warrants to Boomerang Systems, Inc. (the "Company") as follows:

(a) The Warrant Shares may not be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act and in compliance with the applicable securities laws of any state or other jurisdiction, or pursuant to an opinion of counsel satisfactory to the Company that such registration is not required and such compliance has been obtained. The Company may affix an appropriate legend restricting transfer of the Warrant Shares under the Act to any certificate(s) representing the Warrant Shares to reflect the foregoing in accordance with the Subscription Agreement by and among the Holder and the Company.

(b) The Holder understands that the Warrant Shares are being offered and sold by the Company in reliance on an exemption from the registration requirements of the Securities Act and equivalent state securities and "blue sky" laws, and that the Company is relying upon the accuracy of, and the compliance by the Holder with his representations and warranties set forth in this letter, in determining the availability of such exemption and the eligibility of the Holder to acquire the Warrant Shares.

(c) The Holder acknowledges that it has been given an opportunity to ask questions of, and to receive answers from, the Company's management personnel concerning the Company's business and the Warrant Shares. The Holder has been provided access to all materials relating to the business, financial position and results of operations of the Company, and all other materials requested by the Holder to enable it to make an informed investment decision with respect to the acquisition of the Warrant Shares. The Holder has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of an investment in the Company's securities.

(d) The Holder is, and upon exercise of the Warrant will be experienced in making investments of the kind represented by the Warrant Shares, and (iii) capable, by reason of his business and financial experience, of evaluating the relative merits and risks of an investment in the Warrant Shares.

(e) The Holder understands that an investment in the Warrant Shares involves a high degree of risk, and has the financial ability to bear the economic risk of this investment in the Warrant Shares, including a complete loss of such investment. The Holder has adequate means for providing for his current financial requirements and has no need for liquidity with respect to this investment.

(f) The Holder agrees to indemnify the Company and hold it harmless from and against any and all losses, damages, liabilities, cost and expenses which it may sustain or incur in connection with the breach by the undersigned of any representation, warranty or covenant made by the undersigned.

HOLDER:

Date: _____

Signature: _____

Name:

Title :

Address:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs _____ to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 20__, from the Company and acknowledged and agreed to by _____.

BOOMERANG SYSTEMS, INC.

By: _____
Name:
Title:

SUBSCRIPTION AGREEMENT

To: Boomerang Systems, Inc.
30 B Vreeland Rd
Florham Park, NJ 07932

Ladies and Gentlemen:

1. Purchase and Sale of the Note and Warrants

(a) The undersigned hereby tenders this subscription and applies for the purchase of (i) \$_____ principal amount of 6% convertible promissory notes due December 31, 2017, in the form attached as Exhibit A hereto (the "Note"), and (ii) warrants, in the form attached as Exhibit B hereto (the "Warrants" and together with the Note, the "Offering Securities"), to purchase the number (equal to the principal amount of the Note divided by \$5.00 (the initial conversion price of the Note)) of shares (the "Warrant Shares") of the common stock (the "Common Stock"), par value \$0.001 per Share, of Boomerang Systems, Inc. (the "Company") at a price of \$5.00, subject to adjustment. Together with this Subscription Agreement, the undersigned is delivering to the Company funds by check or by wire transfer in accordance with the instructions provided by the Company, in the full amount of the purchase price for the Note and Warrants which the undersigned is subscribing for pursuant hereto.

(b) The Offering Securities are being issued to investors (the "Subscribers") pursuant to a term sheet (the "Term Sheet") and series of Subscription Agreements in connection with a private offering (the "Offering") of the Offering Securities by the Company to certain accredited investors, and includes those Notes and Warrants to be issued in connection with the Offering to certain holders of outstanding debt of the Company in exchange for cancellation of outstanding notes or debentures of the Company. The Company may utilize the services of agents in connection with the Offering and pay compensation to any such agents as described in the Term Sheet. The closing of the purchase and sale of the Securities to be acquired by the undersigned from the Company under this Subscription Agreement shall take place at the offices of Blank Rome LLP, 405 Lexington Avenue, New York, NY 10174 (the "Closing") at 10:00 a.m., New York time on (i) the date on which the last to be fulfilled or waived of the conditions set forth in Section 5 hereof and applicable to such Closing shall be fulfilled or waived in accordance herewith or (ii) at such other time and place or on such date as the Subscriber and the Company may agree upon (the "Closing Date"). The undersigned acknowledges there may be multiple Closings with other Subscribers that occur prior to, or subsequent to the Closing under this Subscription Agreement. The date of the final closing of the Offering is referred to as the "Final Closing Date."

2. Representations, Warranties and Agreements of the Subscriber. The undersigned represents and warrants to the Company as of the date set forth below:

(a) The undersigned acknowledges that the undersigned has access to and has reviewed copies of (i) the Company's filings with the Securities and Exchange Commission (the "SEC") via EDGAR consisting of the following: the Company's Form 10-K for the fiscal year ended September 30, 2011 (including all of the exhibits thereto and incorporated therein); as well as all Quarterly Reports on Form 10-Q (and any amendments thereto) for the fiscal quarters ended subsequent to September 30, 2011 and all the Current Reports on Form 8-K and other filings (including, in each case, as amended, and all of the exhibits thereto) filed with the SEC subsequent to September 30, 2011 and at least five (5) full Business Days (as defined in the Note) prior to the Closing Date (collectively, the "SEC Reports"), and the undersigned has performed its own due diligence in connection with its subscription for the Note and Warrants and has had a reasonable opportunity to ask questions of and receive answers from representatives of the Company concerning the business and financial condition of the Company, the terms and conditions of this Subscription Agreement, and all of such questions have been answered to the satisfaction of the undersigned.

(b) The undersigned is an "accredited investor," as such term is defined in Regulation D of the Rules and Regulations promulgated under the Securities Act of 1933, as amended (the "Act"). The undersigned is not a registered broker dealer registered under Section 15(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or a member of the Financial Industry Regulatory Authority, Inc. or an entity engaged in the business of being a broker dealer. The undersigned is not affiliated with any broker dealer registered under Section 15(a) of the Exchange Act, or a member of the Financial Industry Regulatory Authority, Inc. or an entity engaged in the business of being a broker dealer.

(c) The undersigned understands that the Company has determined that the exemption from the registration provisions of the Act, which is based upon non-public offerings are applicable to the offer and sale of the Note and Warrants based, in part, upon the representations, warranties and agreements made by the undersigned herein.

(d) The undersigned understands that (A) none of the Note, Warrants, shares of Common Stock issuable upon conversion of the Notes (the "Conversion Shares") or Warrant Shares (collectively, the "Securities") have been registered under the Act or the securities laws of any state, based upon an exemption from such registration requirements for non-public offerings pursuant to Regulation D under the Act; (B) the Securities are and will be "restricted securities," as said term is defined in Rule 144 of the Rules and Regulations promulgated under the Act; (C) unless they have been first registered under the Act and all applicable state securities laws, the Securities may only be offered, sold or otherwise transferred (1) to the Company, (2) pursuant to the exemption from registration under the Act provided by Rule 144, or (3) pursuant to another exemption from registration after providing a satisfactory legal opinion to the Company; (D) the Company is under no obligation to register any of the Securities under the Act or any state securities laws, or to take any action to make any exemption from any such registration provisions available; (E) the certificates for the Securities will bear the legend set forth in Section 2(r); and (F) stop transfer instructions will be placed with the transfer agent for the Common Stock.

(e) The undersigned is acquiring the Note and Warrants in the ordinary course of business for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered under the Act or under an exemption from such registration and in compliance with applicable federal and state securities laws, and the undersigned does not have a present arrangement to effect any distribution of the Securities to or through any person or entity in violation of the Act or any applicable state securities laws.

(f) The undersigned, either alone or together with its representatives has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Note and Warrants, and has so evaluated the merits and risks of such investment. The undersigned understands that it must bear the economic risk of this investment in the Note and Warrants indefinitely, and is able to bear such risk and is able to afford a complete loss of such investment.

(g) The undersigned is acquiring the Note and Warrants solely for the account of the undersigned, for investment purposes only, and not with a view towards the resale or distribution thereof within the meaning of the Act.

(h) The undersigned has full power and authority to execute and deliver this Subscription Agreement and to perform the obligations of the undersigned hereunder; and this Subscription Agreement is a legally binding obligation of the undersigned in accordance with its terms.

(i) The address set forth below is the undersigned's true and correct residence, and the undersigned has no present intention of becoming a resident of any other state or jurisdiction. (If a corporation, trust or partnership, the undersigned has its principal place of business at the address set forth below and was not organized (or has the jurisdiction of its organization and the address of its investment manager as set forth on the signature page) for the specific purpose of subscribing to this offering).

(j) The undersigned does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities for which the undersigned is subscribing.

(k) The foregoing representations, warranties and agreements shall survive the execution, delivery and acceptance of this Subscription Agreement and the closing of the sale of the Note and Warrants and shall continue in full force and effect notwithstanding any subsequent disposition by the undersigned of any of the Securities.

(l) The undersigned acknowledges that it has access to and has reviewed the SEC Reports and has been afforded: (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, the Company and its representatives concerning the terms and conditions of the offering of the Note and Warrants and the merits and risks of investing in the Note and Warrants; (ii) access to information (other than material non-public information) about the Company and Subsidiaries (as defined herein) and their respective financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment. Neither such inquiries nor any other investigation conducted by or on behalf of the undersigned or its representatives or counsel shall modify, amend or affect the undersigned's right to rely on the truth, accuracy and completeness of the SEC Reports and the Company's representations and warranties contained in this Subscription Agreement.

(m) The undersigned is not purchasing the Note and Warrants as a result of any advertisement, article, notice or other communication regarding the Note and Warrants published in any newspaper, magazine or similar media, broadcast over television or radio, disseminated over the Internet or presented at any seminar or, to its knowledge, any other general solicitation or general advertisement.

(n) The execution, delivery and performance by the undersigned of this Subscription Agreement and the consummation by the undersigned of the transactions contemplated hereby will not (i) result in a violation of the organizational documents of the undersigned (if the undersigned is not a natural person) or (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the undersigned is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to the undersigned, except in the case of clauses (ii) and (iii) above, for such that are not material and do not otherwise affect the ability of the undersigned to consummate the transactions contemplated hereby.

(o) Neither the undersigned, directly or indirectly, nor any Person acting on behalf of or pursuant to any understanding with the undersigned, has engaged in any purchases or sales of any securities, including any derivatives, of the Company (including, without limitation, any Short Sales involving any of the Company's securities) (a "Transaction") since the time that the undersigned was first contacted by the Company or any other Person regarding an investment in the Company. The undersigned covenants that neither it nor any Person acting on its behalf or pursuant to any understanding with the undersigned will engage, directly or indirectly, in any Transactions prior to the time the transactions contemplated by this Subscription Agreement are publicly disclosed. The term "Short Sales" shall have the meaning as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act.

(p) The undersigned understands that (i) this subscription is not binding upon the Company until the Company accepts it, which acceptance is to be evidenced by the Company's execution of this Subscription Agreement where indicated and (ii) the Company may, in its sole discretion, reject this subscription, in which case this Subscription Agreement shall be null and void or reduce this Subscription in any amount.

(q) The undersigned understands that neither this Subscription Agreement nor any of the rights of the undersigned hereunder may be transferred or assigned by the undersigned prior to the Closing.

(r) (i) The undersigned agrees to the imprinting of the legend set forth (i) on Exhibit A on the Note, (ii) on Exhibit B on the Warrants and (iii) below (or a substantially similar) on any certificate representing the Conversion Shares or Warrant Shares:

THE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”) OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT (i) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR (ii) UPON THE DELIVERY BY THE HOLDER TO THE COMPANY OF AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO COUNSEL FOR THE COMPANY, STATING THAT AN EXEMPTION FROM REGISTRATION UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE FOR THE OFFER AND SALE OF SUCH SHARES.

(s) The undersigned agrees and acknowledges that there is no minimum amount of gross proceeds that the Company must receive to consummate the Closing and that the Closing may occur whether or not the Company receives or accepts any other Subscriber’s Subscription Agreement to purchase Offering Securities in the Offering.

3. Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to the undersigned as of the Closing Date. Each of the representations and warranties are qualified in their entirety by the information contained in the SEC Reports and Disclosure Schedules hereto.

(a) SEC Reports; Term Sheet. As of their respective dates, each of the SEC Reports, as any of such documents may have been subsequently amended by filings made by the Company with the SEC prior to the Closing Date, complied in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the SEC thereunder and none of the SEC Reports or the Term Sheet contains, and on the Closing Date, none of the SEC Reports or the Term Sheet will contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC or other applicable rules and regulations with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present in all material respects the financial position of the Company and its Subsidiaries as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

(b) Organization; Good Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full power and authority, corporate and other to own or lease, as the case may be, and operate its properties, whether tangible or intangible, and to conduct its business as described in the SEC Reports and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect (as defined herein) on the Company. “Material Adverse Effect” or “Material Adverse Change” means any effect or change, or any development that could result in a material adverse effect, on the business or business prospects, properties, assets, operations, results of operations or condition (financial or otherwise) of the Company or the Subsidiaries taken as a whole whether or not arising in the ordinary course of business, or on the transactions contemplated by this Subscription Agreement, the Notes and the Warrants delivered in connection with the Offering (collectively, the “Transaction Documents”). Except as set forth in the SEC Reports, there has been no obligation, contingent or otherwise, directly or indirectly incurred by the Company or any Subsidiary.

(c) Subsidiaries. The Company’s subsidiaries are set forth in Exhibit 21 to the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2011 (the “Subsidiaries”). Unless the context requires otherwise, all references to the Company include the Subsidiaries. Each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation as set forth in the Disclosure Schedules, with full power and authority, corporate and other, to own or lease, as the case may be, and operate its properties, whether tangible or intangible, and to conduct its business as currently conducted and as described in the SEC Reports. Each Subsidiary is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which the conduct of its business or the ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect on the Company and the Subsidiaries taken as a whole. The Company owns all of the issued and outstanding shares of capital stock (or other equity or ownership interests) of each Subsidiary, such ownership is free and clear of any security interests, liens, encumbrances, claims and charges, and all of such shares have been duly authorized and validly issued, and are fully paid and nonassessable.

(d) Capitalization. The authorized capital stock of the Company conforms in all material respects to the description thereof contained in the SEC Reports and such description conforms in all material respects to the rights in the instruments defining the same. The issued and outstanding capital stock of the Company is as set forth in the Disclosure Schedules, except to the extent of the issuance of Notes and Warrants in a prior Closing and to the extent that outstanding convertible debt is converted into shares of common stock and/or outstanding warrants or options are exercised. No shares of Common Stock are entitled to preemptive rights or registration rights and there are no outstanding options, warrants, scrip, rights to subscribe to, call or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Company. Furthermore, except as set forth in the SEC Reports there are no contracts, commitments, understandings, or arrangements by which the Company is or may become bound to issue additional shares of the capital stock of the Company or options, securities or rights convertible into shares of capital stock of the Company. Except for customary transfer restrictions contained in agreements entered into by the Company in order to sell restricted securities or as provided in the SEC Reports the Company is not a party to any agreement granting registration or anti-dilution rights to any person with respect to any of its equity or debt securities. The Company is not a party to, and it has no knowledge of, any agreement restricting the voting or transfer of any shares of the capital stock of the Company. Except as set forth in the SEC Reports, the offer and sale of all capital stock, convertible securities, rights, warrants, or options of the Company issued prior to the Closing complied in all material respects with all applicable Federal and state securities laws, and, to the knowledge of the Company, no stockholder has a right of rescission or claim for damages with respect to the acquisition of the securities from the Company which would have a Material Adverse Effect.

(e) Authorization. The Note and Warrants to be sold under this Subscription Agreement have been duly authorized and, when issued and sold and paid for by the undersigned in accordance with the terms of this Subscription Agreement, will be duly authorized and validly issued. The Conversion Shares and Warrant Shares have been duly reserved for issuance from the Company's authorized but unissued Common Stock and, upon conversion of the Note in accordance with the terms of the Note or exercise of the Warrants and payment of the exercise price therefore in accordance with the terms of the Warrants, as the case may be, will be duly authorized, validly issued, fully paid and non assessable, and the undersigned will not be subject to personal liability solely by reason of being such holders and will not be subject to the preemptive or similar rights of any holders of any security of the Company.

(f) Enforceability. Each of this Subscription Agreement, the Note and the Warrants has been duly authorized, executed and delivered by, and is a valid and binding agreement of, the Company enforceable in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar laws affecting creditors' rights generally (including, without limitation, statutory or other laws regarding fraudulent preferential transfers) and equitable principles of general applicability.

(g) No Conflicts. The execution and delivery by the Company, and the performance by the Company of its obligations under the Transaction Documents will not conflict with or contravene in any material respect, cause a breach or violation of or default under, any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company that is material to the Company, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under the Transaction Documents, except for the filing of a Form D with the SEC and such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Note and Warrants and by Federal and state securities laws with respect to the obligations of the Company under this Subscription Agreement or which have been obtained or the failure of which to obtain would not have a Material Adverse Effect on the Company and the Subscribers taken as a whole.

(h) Material Adverse Change. Since the date of the last SEC Report, there has not occurred any Material Adverse Change, or any development involving a prospective Material Adverse Change.

(i) No Violation. None of the Company nor any Subsidiary is in violation of its charter or by-laws or in default in the performance of any obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to the Company and the Subsidiaries taken as a whole to which the Company or any Subsidiary is a party or by which the Company, any Subsidiary or any of their properties is bound, except for such defaults that would not, singly or in the aggregate, have a Material Adverse Effect on the Company and the Subsidiaries taken as a whole.

(j) Actions Pending. There are no legal or governmental proceedings, orders, judgments, writs, injunctions, decrees or demands pending or, to the Company's knowledge, threatened to which the Company or any Subsidiary is a party or to which any of the properties of the Company or any Subsidiary is subject other than proceedings, orders, judgments, writs, injunctions, decrees or demands accurately described in all material respects in the SEC Reports and proceedings, orders, judgments, writs, injunctions, decrees or demands that would not have a Material Adverse Effect on the Company and the Subsidiaries taken as a whole or on the power or ability of the Company to perform its obligations under the Transaction Documents or to consummate the transactions contemplated by the Transaction Documents.

(k) Integration. Neither the Company nor any of its affiliates (as defined in Rule 501(b) of Regulation D, each an "Affiliate") has directly, or through any agent, (a) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act) which is or will be integrated with the sale of the Note and Warrants in a manner that would require the registration under the Act of the Note and Warrants or (b) offered, solicited offers to buy or sold the Note and Warrants by any form of general solicitation or general advertising (as those terms are used in Regulation D) or in any manner involving a public offering within the meaning of Section 4(2) of the Act. No registration under the Act of the Note and Warrants is required for the sale of the Note and Warrants to the undersigned under this Subscription Agreement, assuming the accuracy of the undersigned representations, warranties and agreements set forth in Section 2.

(l) Intellectual Property. The Company and each Subsidiary owns or possesses, or has the right to use, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed or required by it in connection with the business currently conducted by it as described in the SEC Reports, except such as the failure to so own or possess or have the right to use would not have, singly or in the aggregate, a Material Adverse Effect on the Company and the Subsidiaries taken as a whole. To the Company's knowledge, there are no valid and enforceable United States patents that are infringed by the business currently conducted by the Company or any Subsidiary, or as currently proposed to be conducted by the Company or any Subsidiary, as described in the SEC Reports and which infringement would have a Material Adverse Effect on the Company and the Subsidiaries taken as a whole. The Company is not aware of any basis for a finding that the Company or any Subsidiary does not have valid title or license rights to the patents and patent applications referenced in the SEC Reports as owned or licensed by the Company or any Subsidiary, and, to the Company's knowledge, neither the Company nor any Subsidiary is subject to any judgment, order, writ, injunction or decree of any court or any Federal, state, local, foreign or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or any arbitrator, nor has it entered into or is it a party to any contract, which restricts or impairs the use of any of the foregoing which would have a Material Adverse Effect on the Company and the Subsidiaries taken as a whole. Neither the Company nor any Subsidiary has received any written notice of infringement of or conflict with asserted rights of any third party with respect to the business currently conducted by it as described in the SEC Reports and which, if determined adversely to the Company or any Subsidiary, would have a Material Adverse Effect on the Company and the Subsidiaries taken as a whole and the Company has no knowledge of any facts or circumstances that would serve as a reasonable basis for any such claims.

(m) SEC Reporting Requirements. The Company is subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act. Since January 1, 2011, the Company has filed with the SEC all reports required to be filed under the Exchange Act and the Company is and, as of the time of the Closing will be, current in its reporting obligations under the Exchange Act. To the Company's knowledge, the Company has responded to all comments raised by the SEC with respect to the Company's reports, registration statements and other filings made with the SEC to the SEC's satisfaction, and there are no comments which could have an adverse effect on the Company's consolidated financial condition or results of operations (past or future) or could require a restatement of previously filed financial statements remained unresolved with the SEC.

(n) Disclosure Controls and Procedures. Except as set forth in the SEC Reports, the Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-14 and 15d-14 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's Chief Executive Officer and its Chief Financial Officer by others within those entities, and such disclosure controls and procedures are reasonably effective to perform the functions for which they were established, subject to the limitation of any such control system; the Company's auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (A) any significant deficiencies in the Company's ability to record, process, summarize, and report financial data; and (B) any fraud, whether or not material, that involves management or other employees who have a role in the Company's internal controls; any material weaknesses in internal controls have been identified for the Company's auditors; and since the date of the most recent evaluation of such disclosure controls and procedures, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(o) Blue Sky Filings. The Company has caused or will cause to be timely filed with each applicable jurisdiction corresponding to the principal place(s) of business of the undersigned (as same has been provided by the undersigned) and such other jurisdictions as reasonably requested by the undersigned all appropriate documentation required for the registration of the Offering under applicable state law or required to secure an exemption from such registration requirements.

4. Covenants. The Company covenants with the undersigned as follows, which covenants are for the benefit of the undersigned and its permitted assignees (as defined herein).

(a) Securities Compliance. The Company shall notify the SEC in accordance with its rules and regulations, of the transactions contemplated by this Subscription Agreement, including filing a Form D with respect to the Offering Securities as required under Regulation D, and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Securities to the Subscribers or subsequent holders.

(b) Registration and Listing. As long as the Notes are outstanding, the Company will cause its Common Stock to continue to be registered under Sections 12(b) or 12(g) of the Exchange Act, will comply in all respects with its reporting and filing obligations under the Exchange Act, and will not take any action or file any document (whether or not permitted by the Securities Act or the rules promulgated thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act or Securities Act, except as permitted herein.

(c) Compliance With Laws. Except for the matters herein, the Company shall comply, and cause each Subsidiary to comply, with all applicable laws, rules, regulations and orders, noncompliance with which could have a Material Adverse Effect.

(d) Keeping of Records and Books of Account. The Company shall keep and cause each Subsidiary to keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Company and its subsidiaries, and in which, for each fiscal year, all proper reserves for depreciation, depletion, obsolescence, amortization, taxes, bad debts and other purposes in connection with its business shall be made.

(e) Reporting Requirements. If the Company ceases to file its periodic reports with the SEC, or if the SEC ceases making these periodic reports available via the Internet without charge, then the Company shall furnish the following to the undersigned so long as the undersigned shall beneficially own any Securities:

(i) Quarterly Reports filed with the SEC on Form 10-Q as soon as available, and in any event within forty-five (45) days after the end of each of the first three fiscal quarters of the Company or within the extended time period provided for in Rule 12b-25 promulgated under the Exchange Act;

(ii) Annual Reports filed with the SEC on Form 10-K as soon as available, and in any event within ninety (90) days after the end of each fiscal year of the Company or within the extended time period provided for in Rule 12b-25 promulgated under the Exchange Act; and

(iii) Copies of all notices and information, including, without limitation, notices and proxy statements in connection with any meetings, that are provided to holders of shares of Common Stock, contemporaneously with the delivery of such notices or information to such holders of Common Stock.

5. Conditions Precedent. The obligation hereunder of the undersigned to acquire and pay for the Offering Securities is subject to the satisfaction or waiver, at or before the Closing, of each of the conditions set forth below. These conditions are for the sole benefit of the undersigned and may be waived by the undersigned at any time in its sole discretion.

(a) Each of the representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a particular date), which shall be true and correct in all material respects as of such date.

(b) The Company shall have performed, satisfied and complied in all respects with all covenants, agreements and conditions required by this Subscription Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing.

(c) On the Closing Date, the Term Sheet will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) From the date set forth below to the Closing Date, trading in the Company's Common Stock shall not have been suspended by the SEC (except for any suspension of trading of limited duration agreed to by the Company, which suspension shall be terminated prior to the Closing), and, at any time prior to the Closing, trading in securities generally as reported by Bloomberg Financial Markets ("Bloomberg") shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by Bloomberg, or on the New York Stock Exchange, nor shall a banking moratorium have been declared either by the United States or New York State authorities, nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity or crisis of such magnitude in its effect on, or any material adverse change in any financial market which, in each case, in the judgment of the undersigned, makes it impracticable or inadvisable to purchase the Offering Securities.

(e) No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits the consummation of any of the transactions contemplated by this Subscription Agreement.

(f) No action, suit or proceeding before any arbitrator or any governmental authority shall have been commenced, and no investigation by any governmental authority shall have been threatened, against the Company or any Subsidiary, or any of the officers, directors or affiliates of the Company or any Subsidiary seeking to restrain, prevent or change the transactions contemplated by this Subscription Agreement, or seeking damages in connection with such transactions.

(g) The Company shall have executed and delivered to the undersigned a Note and Warrant for the Offering Securities being acquired at the Closing (such Offering Securities shall not be issued until full payment has been made therefor).

(h) The board of directors of the Company shall have adopted resolutions approving the transaction contemplated hereby.

6. Miscellaneous.

(a) In the event of rejection of this subscription, this Subscription Agreement and any other agreement entered into between the undersigned and the Company relating to this subscription shall thereafter have no force or effect and the Company shall promptly return or cause to be returned to the undersigned the subscription amount remitted to the Company by the undersigned, without interest thereon or deduction therefrom.

(b) Except as otherwise provided herein, this Subscription Agreement shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and assigns. If the undersigned is more than one person, the obligation of the undersigned shall be joint and several and the agreements, representations, warranties and acknowledgements herein contained shall be deemed to be made by and be binding upon each such person and his heirs, executors, administrators and successors.

(c) This Subscription Agreement and the documents referenced herein contain the entire agreement of the parties and there are no representations, covenants or other agreements, except as stated or referred to herein and therein.

(d) This Subscription Agreement shall be governed by and construed under the laws of the State of New York applicable to contracts made and to be performed entirely within the State of New York. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City and County of New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby (including without limitation any dispute under or with respect to the Note or the Warrants), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding involving the undersigned or permitted assignee of the undersigned, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Subscription Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

(e) This Subscription Agreement may only be modified by a written instrument executed by the undersigned and the Company.

(f) Unless the context otherwise requires, all personal pronouns used in this Subscription Agreement, whether in the masculine, feminine or neuter gender, shall include all other genders.

(g) All notices or other communications hereunder shall be given in accordance with Section 9.2 of the Note.

(h) Nothing in this Subscription Agreement or any other materials presented by or on behalf of the Company to the undersigned in connection with the purchase of the Note and Warrants constitutes legal, tax or investment advice. The undersigned has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Shares.

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement this _____ day of _____, 201_.

SIGNATURE PAGE

Organization Signature:

Individual Signature(s): [If Joint Tenants or Tenants-In-Common,
both persons must sign and print their names]:

Print Name of Subscriber Organization

By: _____
(Signature and Title)

Signature(s)

Print Name and Title of Person Signing

Print Name of Subscriber

Print Address of Subscriber

Print Name of Subscriber

Print Address of Subscriber

Principal Amount of Note subscribed for: \$ Principal Amount of Note)

Number of Warrants subscribed for: _____ Warrants (\$__ per Warrant)

Individual/Company Name: _____

By: _____

Name: _____

Title: _____

Name to appear on certificate: _____

Tax ID: _____

Mailing address: _____

Mailing address for notices, if any: _____

Email address for notices, if any: _____

Physical Delivery Address: _____

ACCEPTANCE OF SUBSCRIPTION

BOOMERANG SYSTEMS, INC.

The foregoing subscription is hereby accepted by Boomerang Systems, Inc., this _____ day of _____, 201_ for \$ _____
Principal Amount of Notes and _____ Warrants.

BOOMERANG SYSTEMS, INC.

By: _____
Name:
Title:

EXHIBIT A

Form of Promissory Note

EXHIBIT B

Form of Warrant

DISCLOSURE SCHEDULES TO SUBSCRIPTION AGREEMENT

The Disclosure Schedule is arranged in sections corresponding to the lettered sections contained in Section 3 of the Subscription Agreement, and the disclosures in any section of the Disclosure Schedule shall qualify other sections and subsections in Section 3.

Exhibit 21

Subsidiaries of Boomerang Systems, Inc. as of September 30, 2012:

Boomerang Sub, Inc.

Boomerang USA Corp. f/k/a Diamond World Funding Corp.

Boomerang MP Holdings, Inc.

Swingstation, Inc. ⁽¹⁾

Dominion Cellular, Inc. ⁽¹⁾

Diamond Leasing and Management Corp. ⁽¹⁾

⁽¹⁾ This company is inactive and in the process of being dissolved.

Exhibit 31.1

Certification

Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)

I, Mark Patterson, certify that:

1. I have reviewed this annual report on Form 10-K of Boomerang Systems, 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 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.

/s/ MARK PATTERSON

Mark Patterson, Chief Executive Officer and Director
Dated: January 11, 2013

Exhibit 31.2

Certification

Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)

I, Scott Shepherd, certify that:

1. I have reviewed this annual report on Form 10-K of Boomerang Systems, 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 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.

/s/ SCOTT SHEPHERD

Scott Shepherd, Chief Financial Officer and Director
Dated: January 11, 2013

Exhibit 32.1

Chief Executive Officer's Certification Pursuant To Section 1350
(Furnished, but not filed)

In connection with the Annual Report of Boomerang Systems, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Patterson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.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.

/s/ MARK PATTERSON

Mark Patterson, Chief Executive Officer and Director
Dated: January 11, 2013

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

Chief Executive Officer's Certification Pursuant To Section 1350
(Furnished, but not filed)

In connection with the Annual Report of Boomerang Systems, Inc. (the "Company") on Form 10-K for the fiscal year ended September 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph R. Bellantoni, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.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.

/s/ SCOTT SHEPHERD

Scott Shepherd, Chief Financial Officer and Director

Dated: January 11, 2013

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

INVENTORY (Details)		Sep. 30, 2012	Sep. 30, 2011
(USD \$)			
Parts, materials and assemblies	\$ 229,667		\$ 185,143
Work in-process	78,323		17,046
Total Inventory	\$ 307,990		\$ 202,189

	1 Months Ended			3 Months Ended		12 Months Ended			12 Months Ended			1 Months Ended	12 Months Ended	3 Months Ended	1 Months Ended	12 Months Ended	1 Months Ended	3 Months Ended	12 Months Ended									
EQUITY (Details Textual) (USD \$)	Sep. 30, 2012	Jul. 31, 2012	Oct. 31, 2010	Mar. 31, 2012	Dec. 31, 2011	Sep. 30, 2012	Sep. 30, 2011	Aug. 01, 2012	Feb. 01, 2012	Aug. 01, 2011	Feb. 01, 2011	Sep. 30, 2012 Minimum	Sep. 30, 2012 Maximum	Sep. 30, 2012 Common Stock Issue One	Sep. 30, 2012 Common Stock Issue One	Jun. 30, 2012 Common Stock Issue Two	Sep. 30, 2012 Common Stock Issue Two	Sep. 30, 2012 Common Stock Issue Three	Sep. 30, 2012 Common Stock Issue Three	Mar. 31, 2012 Common Stock Issue Four	Mar. 02, 2012 Common Stock Issue Four	Mar. 31, 2012 Common Stock Issue Five	Sep. 30, 2012 Common Stock Issue Six	Sep. 30, 2012 Common Stock Issue Seven	Sep. 30, 2012 Common Stock Issue Seven	Sep. 30, 2012 Private Placement	Sep. 30, 2012 Warrant	
Stock Issued During Period															11,765	40,925			2,795	25,484		40,925	46,272	24,008				
Shares Issued for Services																												
Expense Related To Common Stock Issue						\$ 50,001	\$ 0							\$ 50,001														
Common Stock Issue Price Per Share														\$ 4.25	\$ 4.25		\$ 4.25	\$ 4.73	\$ 4.73	\$ 4.25	\$ 4.25		\$ 3.80	\$ 3.80				
Cash Payment Of Interest In Lieu Of Which Common Stock Issued Two																173,890												
Cash Payment Of Interest In Lieu Of Which Common Stock Issued Three																						13,151						
Cash Payment Of Interest In Lieu Of Which Common Stock Issued Four																												
Cash Payment Of Interest In Lieu Of Which Common Stock Issued Five																												
Cash Payment Of Interest In Lieu Of Which Common Stock Issued Six																												
Cash Payment Of Interest In Lieu Of Which Common Stock Issued Seven																												
Unrecognized Costs Related To Unvested Stock Options Granted To Employees	16,863					16,863																						
Warrants Issued During Period To Purchase Shares Common Stock																												1,240,000
Preferred stock, shares authorized	1,000,000					1,000,000	1,000,000																					
Preferred stock, par value (in dollars per share)	\$ 0.01					\$ 0.01	\$ 0.01																					
Preferred stock, shares issued	0					0	0																					
Preferred stock, shares outstanding	0					0	0																					
Allocated Share-based Compensation Expense, Net of Tax						0	1,249,997																					
Warrants Expiration Date							Jun. 14, 2017																					Aug. 31, 2017
Exercise Of Warrants Description							Cashless exercise is permitted if the average trading volume of the Company's Common Stock during at least five (5) of the ten (10) consecutive trading days immediately preceding the date of the notice of exercise is at least 10,000 shares, and will be based upon the average of the last sale price of the Common Stock during the five (5) consecutive trading days prior to the notice of exercise. In certain instances, a holder shall not be permitted to exercise the Warrant if such exercise would result in such holder's total ownership of the Company's Common Stock exceeding 4.9%.																					
Warrants Valued and Expensed																												
Salary Expense																												
Number Of Warrants Issued				1,080,000			200,000																					
Warrants Exercise Price				\$ 5		\$ 4.25						\$ 0.25	\$ 5.00															
Warrants Valued and Expensed				390,000																								
Warrants Maturity Period	five years						five years																					
Number Of Warrants Exercisable				270,000								180,000	210,000	210,000	210,000													
Issuance Of Warrants To Placement Agents One																												
Warrants To Placement Agents Valued and Expensed One																												

Derivative Liability, Fair Value, Gross Liability	5,309,941			5,309,941	
Derivative, Loss on Derivative				1,097,023	
Derivative Fair Value Of Derivative Liability Revalued	6,406,964			6,406,964	
Issuance Of Warrants To Consultants One				16,059	
Warrants To Consultants Valued and Expensed One				27,000	
Fair Value Assumptions, Risk Free Interest Rate	0.90%	0.90%		0.90%	0.90%
Fair Value Assumptions, Expected Term	5 years	5 years		5 years	5 years
Fair Value Assumptions, Expected Dividend Rate	0.00%	0.00%		0.00%	0.00%
Fair Value Assumptions, Expected Volatility Rate	53.20%			52.70%	53.43%
Warrants To Placement Agents Valued and Expensed Two				126,000	
Issuance Of Warrants To Consultants Three				12,000	
Warrants To Consultants Valued and Expensed Three				27,400	
Issuance Of Warrants To Placement Agents Two				54,800	
Issuance Of Warrants To Consultants Two				13,800	
Warrants To Consultants Valued and Expensed Two				31,000	
Revaluation Of Derivative Fair Value Of Derivative Liability	255,735			255,735	
Derivative, Gain (Loss) On Derivative, Net				\$ 43,695	

DEBT (Details) (USD \$)

	12 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Debt- current portion	\$ 88,407	\$ 110,780
Debt- long term, net of discount	3,096,615	2,807,869
Amortization of discount on convertible debt	2,137,202	0
Debt- long term- related party, net of discount	2,332,191	3,425,334
Debt Instrument, Maturity Date	Aug. 01, 2027	
Unsecured Convertible Notes Payable One [Member]		
Debt- long term, net of discount	3,665,763	0
Debt Instrument, Maturity Date	Nov. 01, 2016	
Line of Credit Facility, Interest Rate During Period	6.00%	
Unsecured Convertible Notes Payable Two [Member]		
Debt- long term, net of discount	1,250,000	0
Debt Instrument, Maturity Date	Nov. 18, 2016	
Line of Credit Facility, Interest Rate During Period	6.00%	
Unsecured Convertible Notes Payable Three [Member]		
Debt- long term, net of discount	925,000	0
Debt Instrument, Maturity Date	Dec. 09, 2016	
Debt Instrument, Interest Rate During Period	6.00%	
Unsecured Convertible Notes Payable Four [Member]		
Debt- long term, net of discount	4,065,000	0
Debt Instrument, Maturity Date	Jun. 14, 2017	
Debt Instrument, Interest Rate During Period	6.00%	
Unsecured Promissory Notes Line Of Credit [Member]		
Debt- long term, net of discount	0	1,500,000
Debt- long term- related party, net of discount	0	1,750,000
Debt Instrument, Maturity Date	Nov. 01, 2016	[1]
Debt Instrument, Interest Rate During Period	6.00%	
Unsecured Promissory Note Bank [Member]		
Debt- long term, net of discount	0	300,000
Debt Instrument, Maturity Date	Nov. 01, 2016	[1]
Debt Instrument, Interest Rate During Period	6.00%	
Unsecured Line Of Credit Bank [Member]		
Long-term Line of Credit	0	1,000,000
Debt Instrument, Maturity Date	Nov. 01, 2016	[1]
Debt Instrument, Interest Rate During Period	6.00%	
Unsecured Convertible Notes Related Party One [Member]		
Debt- long term- related party, net of discount	5,683,757	0
Debt Instrument, Maturity Date	Nov. 01, 2016	
Debt Instrument, Interest Rate During Period	6.00%	
Unsecured Convertible Notes Related Party Two [Member]		
Debt- long term- related party, net of discount	100,000	0
Debt Instrument, Maturity Date	Nov. 18, 2016	

Debt Instrument, Interest Rate During Period	6.00%	
Unsecured Convertible Notes Related Party Three [Member]		
Debt- long term- related party, net of discount	2,135,000	0
Debt Instrument, Maturity Date	Jun. 14, 2017	
Debt Instrument, Interest Rate During Period	6.00%	
Unsecured Loan Payable Related Party One [Member]		
Debt- long term- related party, net of discount	0	273,000
Debt Instrument, Maturity Date	Nov. 01, 2016	[1]
Loan Interest Rate During Period	6.00%	
Unsecured Loan Payable Related Party Two [Member]		
Debt- long term- related party, net of discount	0	273,000
Debt Instrument, Maturity Date	Nov. 01, 2016	[1]
Loan Interest Rate During Period	6.00%	
Unsecured Loan Payable Related Party Three [Member]		
Debt- long term, net of discount	0	220,763
Debt Instrument, Maturity Date	Nov. 01, 2016	[1]
Loan Interest Rate During Period	6.00%	
Unsecured Loan Payable Related Party Four [Member]		
Debt- long term- related party, net of discount	0	133,571
Debt Instrument, Maturity Date	Nov. 01, 2016	[1]
Loan Interest Rate During Period	6.00%	
Unsecured Loan Payable Related Party Five [Member]		
Debt- long term- related party, net of discount	0	775,000
Debt Instrument, Maturity Date	Nov. 01, 2016	[1]
Loan Interest Rate During Period	6.00%	
Unsecured Loan Payable [Member]		
Debt- current portion	80,538	80,538
Loan Payable Maturity Date Description	Upon Demand	
Loan Payable Interest Rate During Period	10.00%	
Secured Lease Payable Bank [Member]		
Debt- current portion	7,869	30,242
Debt- long term, net of discount	0	7,869
Lease Payable Maturity Date	Dec. 31, 2012	
Capital Lease Interest Rate During Period	6.45%	
Convertible Notes Payable [Member]		
Long-term Line of Credit	(7,899,942)	0
Amortization of discount on convertible debt	1,090,794	0
Convertible Notes Payable Related Party [Member]		
Debt Instrument, Unamortized Discount	(6,632,974)	0
Amortization of discount on convertible debt	\$ 1,046,408	\$ 0

[1] This debt was reclassified from current to long-term pursuant to ASC 470-10-45-14. On November 1, 2011, as part of the Offering, this debt was refinanced through the issuance of long-term notes.

**RELATED PARTY
TRANSACTIONS (Details)
(USD \$)**

Sep. 30, 2012

Hsk Funding Inc [Member]		
Indebtedness Converted	\$ 254,000	[1]
Notes issued in Offering	254,000	[1]
Warrants issued in Offering	59,765	[1]
Lake Isle Corporation [Member]		
Indebtedness Converted	1,761,917	[2]
Notes issued in Offering	1,761,917	[2]
Warrants issued in Offering	414,570	[2]
Christopher Mulvihill [Member]		
Indebtedness Converted	1,451,000	[3],[4]
Notes issued in Offering	1,451,000	[3]
Warrants issued in Offering	341,412	[3]
James Mulvihill Ttee Sunset Group Inc. Psp [Member]		
Indebtedness Converted	253,917	[5],[6]
Notes issued in Offering	253,917	[5]
Warrants issued in Offering	59,745	[5]
Mrp Holdings Llc and Mark R Patterson Revocable Trust [Member]		
Indebtedness Converted	608,014	[7]
Notes issued in Offering	608,014	[7]
Warrants issued in Offering	143,063	[7]
Sail Energy Llc [Member]		
Indebtedness Converted	300,142	[8]
Notes issued in Offering	300,142	[8]
Warrants issued in Offering	70,622	[8]
Stan Checketts Properties, L.C. [Member]		
Indebtedness Converted	133,571	[9]
Notes issued in Offering	133,571	[9]
Warrants issued in Offering	31,429	[9]
Sbg Properties Llc Member [Member]		
Indebtedness Converted	220,763	[10]
Notes issued in Offering	220,763	[10]
Warrants issued in Offering	51,945	[10]
Venturetek L.P. [Member]		
Indebtedness Converted	292,461	[11]
Notes issued in Offering	292,461	[11]

Warrants issued in Offering	68,815	[11]
Albert Behler [Member]		
Indebtedness Converted	507,972	[12]
Notes issued in Offering	\$ 507,972	[12]
Warrants issued in Offering	119,523	[12]

- [1] HSK Funding Inc. is a principal stockholder and a member of SB&G Properties LLC.
- [2] Gail Mulvihill, the individual who exercises sole voting and investment control over Lake Isle Corporation, is the mother of Christopher Mulvihill, the Company's President, and is a principal stockholder. Lake Isle Corporation is a member of SB&G Properties LLC.
- [3] Christopher Mulvihill is the Company's President and director.
- [4] Included in this balance is \$1,000,000 of indebtedness resulting from a bank line of credit that Lake Isle Corp. caused to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000.
- [5] James Mulvihill is the brother of Christopher Mulvihill and son of Gail Mulvihill.
- [6] On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill.
- [7] MRP Holdings LLC, and Mark R Patterson Revocable Trust are owned by Mark Patterson, the Company's Chief Executive Officer and director.
- [8] Sail Energy LLC is owned by Gail Mulvihill.
- [9] Stan Checketts Properties, L.C. is owned by Stan Checketts, the Chief Executive Officer of the Company's wholly owned subsidiary and director of the Company, and is a principal stockholder. Stan Checketts Properties is a member of SB&G Properties LLC.
- [10] SB&G Properties LLC is owned by HSK Funding Inc., Stan Checketts Properties, Lake Isle Corporation and Venturetek L.P.
- [11] Venturetek L.P. is a principal stockholder and a member of SB&G Properties LLC.
- [12] Albert Behler is a principal stockholder of the Company.

INCOME TAXES (Details 2)		Sep. 30, 2012	Sep. 30, 2011
(USD \$)			
Deferred tax assets		\$ 7,678,000	\$ 4,590,000
Deferred tax liabilities		0	0
Valuation allowance		(7,678,000)	(4,590,000)
Total		\$ 0	\$ 0

SUBSEQUENT EVENTS
(Tables)

12 Months Ended
Sep. 30, 2012

[Subsequent Events](#)

[\[Abstract\]](#)

[Private Placement To Related Parties \[Table Text Block\]](#)

In connection with the December 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the December 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
The Estate of Gene Mulvihill (1)	\$ 1,000,000	200,000
Heather Mulvihill (2)	\$ 100,000	20,000
MRP Holdings LLC (3)	\$ 100,000	20,000
Albert Behler (4)	\$ 250,000	50,000
Burton I Koffman (5)	\$ 145,000	29,000
Alexandria Equities, LLC (6)	\$ 250,000	50,000

- Gail Mulvihill, the administrator of the estate and individual who exercises shared voting and investment power over the shares, is a principal stockholder and mother of
- (1) Christopher Mulvihill, the Company's President and a principal stockholder of the Company.
 - (2) Heather Mulvihill is the sister-in-law of Christopher Mulvihill, the Company's President and a director and principal stockholder of the Company.
 - (3) MRP Holdings LLC is owned by Mark Patterson, the Company's Chief Executive Officer and a director and principal stockholder of the Company.
 - (4) Albert Behler is a principal stockholder of the Company.
 - (5) Directly and indirectly through various entities he controls. Burton I Koffman is a principal stockholder of the Company.
 - (6) Alexandria Equities, LLC is a principal stockholder of the Company.

**PROPERTY, PLANT AND
EQUIPMENT (Tables)**

**12 Months Ended
Sep. 30, 2012**

[Property, Plant and
Equipment \[Abstract\]](#)

[Property, Plant and Equipment](#) Property, plant and equipment consist of the following at September 30, 2012 and 2011:
[Table Text Block]

	2012	2011
Computer equipment	\$ 310,734	\$ 242,149
Machinery and equipment	126,817	96,855
Furniture and fixtures	62,803	35,856
Leasehold improvements	62,469	62,469
Buildings	2,598,470	-
Construction in progress (1)	-	2,595,765
	3,161,293	3,033,094
<i>Less: Accumulated depreciation</i>	(456,377)	(158,416)
	<u>\$2,704,916</u>	<u>\$2,874,678</u>

(1) All construction in progress at September 30, 2011, was for the demonstration facility at Crystal Springs Resort which was completed in October 2011 and reallocated to machinery and equipment and buildings.

**COSTS IN EXCESS OF
BILLINGS/BILLINGS IN
EXCESS OF COSTS**

Sep. 30, 2012 Sep. 30, 2011

(Details 1) (USD \$)

<u>Earnings on billings to date</u>	\$ 1,190,853	\$ 0
<u>Less: Billings</u>	(1,196,000)	0
<u>Total (billings in excess of costs)</u>	\$ (5,147)	\$ 0

INVESTMENT AT EQUITY
(Details) (USD \$)

12 Months Ended
Sep. 30, 2012 Sep. 30, 2011

<u>Balance</u>	\$ 139,836	
<u>Loss on investment (49%)</u>	(156,242)	(153,019)
<u>Balance</u>	230,195	139,836
Boomerang Stokes Mechanical Parking [Member]		
<u>Balance</u>	0	
<u>Additional investment</u>	191,000	
<u>Loss on investment (49%)</u>	(103,704)	
<u>Balance</u>	87,296	
Boomerang Systems Middle East [Member]		
<u>Balance</u>	139,836	45,460
<u>Additional investment</u>	55,601	247,395
<u>Loss on investment (49%)</u>	(52,538)	(153,019)
<u>Balance</u>	\$ 142,899	\$ 139,836

EQUITY (Details 1) (USD \$)**12 Months Ended
Sep. 30, 2012 Sep. 30, 2011**

Options - Outstanding	641,385	441,385
Options - Granted	0	250,000
Options - Exercised	0	0
Options - Forfeitures	0	(50,000)
Options - Outstanding	641,385	641,385
Weighted Average Exercise Price - Outstanding	\$ 4.82	\$ 4.73
Weighted Average Exercise Price - Granted	\$ 0	\$ 5.00
Weighted Average Exercise Price - Exercised	\$ 0	\$ 0
Weighted Average Exercise Price - Forfeitures	\$ 0	\$ (5.00)
Weighted Average Exercise Price - Outstanding	\$ 4.82	\$ 4.82
Warrant [Member]		
Options - Outstanding	4,196,184	2,458,252
Options - Granted	4,571,041	1,737,932
Options - Exercised	0	0
Options - Forfeitures	0	0
Options - Outstanding	8,767,225	4,196,184
Weighted Average Exercise Price - Outstanding	\$ 7.69	\$ 8.41
Weighted Average Exercise Price - Granted	\$ 4.53	\$ 5.39
Weighted Average Exercise Price - Exercised	\$ 0	\$ 0
Weighted Average Exercise Price - Forfeitures	\$ 0	\$ 0
Weighted Average Exercise Price - Outstanding	\$ 5.92	\$ 7.69

SUBSEQUENT EVENTS (Details) (USD \$)	Oct. 31, 2010	Sep. 30, 2012 Heather Mulvihill [Member]	Sep. 30, 2012 Mrp Holdings Llc [Member]	Sep. 30, 2012 Alexandria Equities, Llc [Member]	Sep. 30, 2012 Subsequent Event [Member] Estate Of Gene Mulvihill [Member]	Sep. 30, 2012 Subsequent Event [Member] Heather Mulvihill [Member]	Sep. 30, 2012 Subsequent Event [Member] Mrp Holdings Llc [Member]	Sep. 30, 2012 Subsequent Event [Member] Albert Behler [Member]	Sep. 30, 2012 Subsequent Event [Member] Burton I Koffma [Member]	Sep. 30, 2012 Subsequent Event [Member] Alexandria Equities, Llc [Member]
Notes issued in Offering		\$ 100,000 [1]	\$ 150,000 [2]	\$ 1,000,000 [3]	\$ 1,000,000 [4]	\$ 100,000 [5]	\$ 100,000 [6]	\$ 250,000 [7]	\$ 145,000 [8]	\$ 250,000 [9]
Warrants issued in Offering	1,080,000	20,000 [1]	30,000 [2]	200,000 [3]	200,000 [4]	20,000 [5]	20,000 [6]	50,000 [7]	29,000 [8]	50,000 [9]

[1] Heather Mulvihill is the sister-in-law of Christopher Mulvihill and daughter-in-law of Gail Mulvihill.

[2] Mark R. Patterson, the sole member of MRP Holdings LLC, is the Company's Chief Executive Officer and a director.

[3] Alexandria Equities, LLC became a 5% stockholder of the Company as a result of this purchase.

[4] Gail Mulvihill, the administrator of the estate and individual who exercises shared voting and investment power over the shares, is a principal stockholder and mother of Christopher Mulvihill, the Company's President and a principal stockholder of the Company.

[5] Heather Mulvihill is the sister-in-law of Christopher Mulvihill, the Company's President and a director and principal stockholder of the Company.

[6] MRP Holdings LLC is owned by Mark Patterson, the Company's Chief Executive Officer and a director and principal stockholder of the Company.

[7] Albert Behler is a principal stockholder of the Company.

[8] Directly and indirectly through various entities he controls. Burton I Koffman is a principal stockholder of the Company.

[9] Alexandria Equities, LLC is a principal stockholder of the Company.

**INCOME TAXES (Details
Textual) (USD \$)**

	12 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
Net Operating Loss	\$ 22,583,000	
Operating Loss Carryforwards, Expiration Dates	Sep 30, 2027	
Valuation Allowance Percentage On Deffered Tax Assets	100.00%	100.00%
Effective Income Tax Rate Reconciliation, at Federal Statutory Income Tax Rate	34.00%	

INVESTMENT AT EQUITY

**12 Months Ended
Sep. 30, 2012**

Equity Method Investments and Joint Ventures

[Abstract]

Equity Method Investments

Disclosure [Text Block]

NOTE 3 – INVESTMENT AT EQUITY

The Company is a partner in the United Arab Emirates “UAE” joint venture, Boomerang Systems Middle East, LLC. Boomerang Systems Middle East, LLC is owned by Boomerang Systems USA Corp. (49%), a subsidiary of Boomerang Systems, Inc., and Tawreed Companies Representation (51%), a UAE company. The equity method is used to calculate the current amount of this investment.

During the fiscal year ended September 30, 2012, the Company made additional investments in the UAE joint venture of \$55,601. Based on the equity method, the 49% loss we recognized on this investment for the year ended September 30, 2012 was \$52,538. After factoring in the loss, our carrying value on this investment was \$142,899 at September 30, 2012.

Balance as of September 30, 2010	\$ 45,460
Additional investment	247,395
Loss on investment (49%)	(153,019)
Balance as of September 30, 2011	139,836
Additional investment	55,601
Loss on investment (49%)	(52,538)
Balance as of September 30, 2012	\$ 142,899

On February 15, 2012, Boomerang MP Holdings, Inc., a wholly owned subsidiary of the Company, was formed with the purpose of entering into a mechanical parking joint venture. On February 16, 2012, Boomerang MP Holdings, Inc., formed a joint venture with Stokes Industries-USA, LLC (“Stokes”). The joint venture, Boomerang-Stokes Mechanical Parking LLC, is owned 50% by Boomerang MP Holdings, Inc. and 50% by Stokes. Boomerang MP Holdings, Inc., is committed to providing a minimum of \$250,000 of capital to fund the initial operations and marketing efforts during the initial two year period of the joint venture. Boomerang MP Holdings, Inc., shall also license the name “Boomerang” to the joint venture for use in North America on a royalty free, non-exclusive basis.

During the year ended September 30, 2012, the Company made investments totaling \$191,000 in the joint venture. Based on the equity method, the 50% loss we recognized on this investment for the year ended September 30, 2012 was \$103,704. After factoring in the loss, our carrying value on this investment was \$87,296 at September 30, 2012.

Balance as of September 30, 2011	\$ -
Additional investment	191,000
Loss on investment (50%)	(103,704)
Balance as of September 30, 2012	\$ 87,296

SUBSEQUENT EVENTS (Details Textual) (USD \$)	3 Months Ended	12 Months Ended			12 Months Ended			
	Dec. 31, 2011	Sep. 30, 2012	Sep. 30, 2011	Sep. 30, 2012 Subsequent Event [Member]	Sep. 30, 2012 Subsequent Event [Member] Warrant [Member]	Sep. 30, 2012 Subsequent Event [Member] Board Of Directors Chairman [Member]	Sep. 30, 2012 Subsequent Event [Member] Private Placement [Member]	Dec. 28, 2012 Subsequent Event [Member] Convertible Notes [Member]
Debt Instrument, Interest Rate, Stated Percentage								6.00%
Convertible Notes Payable				\$ 1,850,000			\$ 3,000,000	
Common stock, shares issued		7,469,366	7,277,192		600,000	369,000		
Proceeds from private placement- common stock	2,700,000	0	1,199,999				3,000,000	
Percentage Of Ownership By Stockholders		5.00%						
Proceeds from Notes Payable				1,850,000				
Amount Invested By Subscriber				100,000				
Principal Amount Note Issued To Subscriber				100,000				
Warrants Issued To Subscribers Number Of Shares							20,000	
Common Stock Issued In Lieu Of Cash Payments				90,328		40,116		
Aggregate Cash Payments Of Interest				\$ 269,565		\$ 119,757		
Share Price				\$ 2.99				

**ACCOUNTS PAYABLE
AND ACCRUED
LIABILITIES (Details)
(USD \$)**

Sep. 30, 2012 Sep. 30, 2011

<u>Accounts payable - trade</u>	\$ 1,142,672	\$ 1,340,114
<u>Accrued interest</u>	20,887	105,721
<u>Accrued warranty expense</u>	372,940	0
<u>Accrued payroll</u>	191,492	122,715
<u>Other accrued expenses</u>	160,933	66,803
<u>Total</u>	\$ 1,888,924	\$ 1,635,353

DEBT (Tables)

12 Months Ended
Sep. 30, 2012

[Schedule of Debt \[Table Text Block\]](#)

	Principal As of		Maturity Date	Interest Rate	Secured
	9/30/2012	9/30/2011			
Current Debt- Third Party:					
Loan Payable- Third Party	\$ 80,538	\$ 80,538	Upon Demand	10%	No
Lease Payable- Bank (current portion)	7,869	30,242	12/31/2012	6.45%	Yes
Total Current Debt- Third Party	\$ 88,407	\$ 110,780			
Long-Term Debt – Third Party:					
Convertible Notes – 2011 Offering	3,665,763	-	11/1/2016	6%	No
Convertible Notes – 2011 Offering	1,250,000	-	11/18/2016	6%	No
Convertible Notes – 2011 Offering	925,000	-	12/9/2016	6%	No
Convertible Notes – 2012 Offering	4,065,000	-	6/14/2017	6%	No
Promissory Notes – Line of Credit	-	1,500,000	11/1/2016 (1)	6%	No
Line of Credit - Bank	-	1,000,000	11/1/2016 (1)	6%	No
Promissory Note – Bank	-	300,000	11/1/2016 (1)	6%	No
Lease Payable- Bank	-	7,869	12/31/2012	6.45%	Yes
Discount on Convertible Notes	(7,899,942)	-			
Amortization of Discount	1,090,794	-			
Total Long-Term Debt – Third Party	\$ 3,096,615	\$2,807,869			
Long-Term Debt- Related Party:					
Convertible Notes – 2011 Offering	\$ 5,683,757	\$ -	11/1/2016	6%	No
Convertible Notes – 2011 Offering	100,000	-	11/18/2016	6%	No
Convertible Notes – 2012 Offering	2,135,000	-	6/14/2017	6%	No
Loan Payable- Related Party	-	273,000	11/1/2016 (1)	6%	No
Loan Payable- Related Party	-	273,000	11/1/2016 (1)	6%	No
Loan Payable – Related Party	-	220,763	11/1/2016 (1)	6%	No
Loan Payable – Related Party	-	133,571	11/1/2016 (1)	6%	No
Loan Payable – Related Party	-	775,000	11/1/2016 (1)	6%	No
Promissory Notes – Line of Credit	-	1,750,000	11/1/2016 (1)	6%	No

Discount on Convertible Notes	(6,632,974)	-
Amortization of Discount	1,046,408	-
Total Long-Term Debt-Related Party	\$ 2,332,191	\$3,425,334

This debt was reclassified from current to long-term pursuant to ASC 470-10-45-14. On (1) November 1, 2011, as part of the Offering, this debt was refinanced through the issuance of long-term notes.

Secured Lease Payable Bank
[Member]

[Schedule of Debt \[Table Text Block\]](#)

Capital lease payable to bank*	2012	2011
Secured by equipment	\$ 7,869	\$ 38,111
Less: current maturities	(7,869)	(30,242)
Total long-term debt	\$ -	\$ 7,869

**payable in monthly installments of \$2, 651 including interest at 6.448% due December 1, 2012*

INCOME TAXES (Tables)

**12 Months Ended
Sep. 30, 2012**

[Income Tax Disclosure \[Abstract\]](#)

[Schedule of Components of Income Tax Expense \(Benefit\) \[Table Text Block\]](#)

The tax expense (benefit) for the years ended September 30, 2012 and 2011 consists of the following components:

	<u>2012</u>	<u>2011</u>
Current:		
Federal	\$ -	\$ -
State	<u>2,055</u>	<u>25,149</u>
	2,055	25,149
Deferred:		
Federal	-	-
State	<u>-</u>	<u>-</u>
	-	-
Total	<u>\$2,055</u>	<u>\$25,149</u>

[Schedule of Effective Income Tax Rate Reconciliation \[Table Text Block\]](#)

The reconciliation between the actual and expected federal tax is as follows:

	2012	2011
Federal corporate tax rate of 34% and applicable AMT applied to pretax loss	\$ -	\$ -
State and local taxes, net of federal benefit	2,055	25,149
Total tax expense (benefit)	<u>\$ 2,055</u>	<u>\$ 25,149</u>

[Schedule of Deferred Tax Assets and Liabilities \[Table Text Block\]](#)

Deferred income taxes consist of the following at September 30, 2012 and 2011:

	2012	2011
Deferred tax assets	\$ 7,678,000	\$ 4,590,000
Deferred tax liabilities	-	-
Valuation allowance	(7,678,000)	(4,590,000)
Total	<u>\$ -</u>	<u>\$ -</u>

RELATED PARTY TRANSACTIONS (Details 1) (USD \$)	Oct. 31, 2010	Sep. 30, 2012 Mrp Holdings Llc [Member]	Sep. 30, 2012 Sail Energy Llc [Member]	Sep. 30, 2012 Heather Mulvihill [Member]	Sep. 30, 2012 Ia 545 Madison Assoc [Member]	Sep. 30, 2012 Burton I. Koffman [Member]	Sep. 30, 2012 David Kent and Christine W. Koch [Member]	Sep. 30, 2012 Alexandria Equities, Llc [Member]
2012 Notes issued in 2012		\$ [1]	\$ [2]	\$ [3]	\$ [4]	\$ [4]	\$ [5]	\$ [6]
Offering		150,000	510,000	100,000	250,000	50,000	75,000	1,000,000
Number Of Warrants Issued	1,080,000	30,000 [1]	102,000 [2]	20,000 [3]	50,000 [4]	10,000 [4]	15,000 [5]	200,000 [6]

[1] Mark R. Patterson, the sole member of MRP Holdings LLC, is the Company's Chief Executive Officer and a director.

[2] Sail Energy, LLC is owned by Gail Mulvihill, a principal stockholder and mother of Christopher Mulvihill, the Company's President and director.

[3] Heather Mulvihill is the sister-in-law of Christopher Mulvihill and daughter-in-law of Gail Mulvihill.

[4] Burton I. Koffman, a partner of IA 545 Madison Assoc., is a principal stockholder of the Company.

[5] David Kent Koch is the Company's Chief Operating Officer.

[6] Alexandria Equities, LLC became a 5% stockholder of the Company as a result of this purchase.

INCOME TAXES (Details) (USD \$)	12 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
<u>Current:</u>		
<u>Federal</u>	\$ 0	\$ 0
<u>State</u>	2,055	25,149
<u>Current Income Tax Expense (Benefit)</u>	2,055	25,149
<u>Deferred:</u>		
<u>Federal</u>	0	0
<u>State</u>	0	0
<u>Deferred Income Tax Expense (Benefit)</u>	0	0
<u>Total</u>	\$ 2,055	\$ 25,149

EQUITY (Tables)

12 Months Ended Sep. 30, 2012

[Share Based Compensation Shares Authorized Under Stock Option Plans Exercise Price Range Number Of Outstanding Options \[Table Text Block\]](#)

At September 30, 2012, the Company reserved shares of common stock for issuance upon exercise as follows:

Options	641,385
Warrants	8,767,225
Convertible Notes	3,975,206
Total Shares Reserved	13,383,816

[Schedule of Share-based Compensation, Stock Options, Activity \[Table Text Block\]](#)

The following table summarizes option activity for the years ended September 30, 2012 and 2011:

	Options	Weighted Average Exercise Price
Outstanding as of September 30, 2010	441,385	\$ 4.73
Granted	250,000	5.00
Exercised	-	-
Forfeitures	(50,000)	(5.00)
Outstanding as of September 30, 2011	641,385	4.82
Granted	-	-
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2012	641,385	\$ 4.82

[Schedule of Share-based Compensation, Activity \[Table Text Block\]](#)

The following table summarizes information about stock options outstanding and exercisable as of September 30, 2012 and 2011:

Period	Range of Exercise Price	Number Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price Exercisable	Weighted Average Remaining Life in Years Exercisable
9/30/2012	\$2.00-18.00	641,385	6.54	\$ 4.82	635,135	\$ 4.84	6.59
9/30/2011	\$2.00-18.00	641,385	7.55	\$ 4.82	597,635	\$ 5.02	7.89

[Schedule Of Share Based Compensation Warrant Activity \[Table Text Block\]](#)

The following table summarizes warrant activity for the years ended September 30, 2012 and 2011:

	Warrants	Weighted Average Exercise Price
Outstanding as of September 30, 2010	2,458,252	\$ 8.41
Granted	1,737,932	5.39
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2011	4,196,184	7.69
Granted	4,571,041	4.53
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2012	8,767,225	\$ 5.92

Warrant [Member]

[Schedule of Share-based Compensation, Activity \[Table Text Block\]](#)

The following table summarizes information about warrants outstanding and exercisable as of September 30, 2012 and 2011:

Period	Range of Exercise Price	Number Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price Exercisable	Weighted Average Remaining Life in Years Exercisable
9/30/2012	\$2.00-25.00	8,767,225	3.65	\$ 5.92	8,767,225	\$ 5.92	3.65

9/30/ 2011	\$2.00-25.00	4,196,184	3.91 \$	7.69	4,196,184 \$	7.69	3.91
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**RELATED PARTY
TRANSACTIONS (Tables)**

**12 Months Ended
Sep. 30, 2012**

[Related Party Transactions](#)

[\[Abstract\]](#)

[Schedule Of Related Party
Transactions Of Refinanced
Indebtedness \[Table Text
Block\]](#)

In connection with the Offering, the following officers, directors, 5% stockholders and affiliates of the Company refinanced indebtedness in the amounts and for the Notes and Warrants listed below.

Name	Indebtedness Converted	Notes issued in Offering	Warrants issued in Offering
HSK Funding Inc. ⁽¹⁾	\$ 254,000	\$ 254,000	59,765
Lake Isle Corporation ⁽²⁾	\$ 1,761,917	\$ 1,761,917	414,570
Christopher Mulvihill ⁽³⁾	\$ 1,451,000 ⁽¹¹⁾	\$ 1,451,000	341,412
James Mulvihill TTEE Sunset Group Inc. PSP ⁽⁴⁾	\$ 253,917 ⁽¹²⁾	\$ 253,917	59,745
MRP Holdings LLC and Mark R Patterson Revocable Trust ⁽⁵⁾	\$ 608,014	\$ 608,014	143,063
Sail Energy LLC ⁽⁶⁾	\$ 300,142	\$ 300,142	70,622
Stan Checketts Properties, L.C. ⁽⁷⁾	\$ 133,571	\$ 133,571	31,429
SB&G Properties LLC ⁽⁸⁾	\$ 220,763	\$ 220,763	51,945
Venturetek L.P. ⁽⁹⁾	\$ 292,461	\$ 292,461	68,815
Albert Behler ⁽¹⁰⁾	\$ 507,972	\$ 507,972	119,523

- (1) HSK Funding Inc. is a principal stockholder and a member of SB&G Properties LLC. Gail Mulvihill, the individual who exercises sole voting and investment control over
- (2) Lake Isle Corporation, is the mother of Christopher Mulvihill, the Company's President, and is a principal stockholder. Lake Isle Corporation is a member of SB&G Properties LLC.
- (3) Christopher Mulvihill is the Company's President and director.
- (4) James Mulvihill is the brother of Christopher Mulvihill and son of Gail Mulvihill.
- (5) MRP Holdings LLC, and Mark R Patterson Revocable Trust are owned by Mark Patterson, the Company's Chief Executive Officer and director.
- (6) Sail Energy LLC is owned by Gail Mulvihill.
- (7) Stan Checketts Properties, L.C. is owned by Stan Checketts, the Chief Executive Officer of the Company's wholly owned subsidiary and director of the Company, and is a principal stockholder. Stan Checketts Properties is a member of SB&G Properties LLC.
- (8) SB&G Properties LLC is owned by HSK Funding Inc., Stan Checketts Properties, Lake Isle Corporation and Venturetek L.P.
- (9) Venturetek L.P. is a principal stockholder and a member of SB&G Properties LLC.
- (10) Albert Behler is a principal stockholder of the Company.
- (11) Included in this balance is \$1,000,000 of indebtedness resulting from a bank line of credit that Lake Isle Corp. caused to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000.

[Schedule of Related Party Transactions \[Table Text Block\]](#)

- (12) On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill.

In connection with the 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
MRP Holdings LLC(1)	\$ 150,000	30,000
Sail Energy, LLC(2)	\$ 510,000	102,000
Heather Mulvihill(3)	\$ 100,000	20,000
IA 545 Madison Assoc.(4)	\$ 250,000	50,000
Burton I. Koffman (4)	\$ 50,000	10,000
David Kent and Christine W. Koch(5)	\$ 75,000	15,000
Alexandria Equities, LLC (6)	\$ 1,000,000	200,000

- (1) Mark R. Patterson, the sole member of MRP Holdings LLC, is the Company's Chief Executive Officer and a director.
- (2) Sail Energy, LLC is owned by Gail Mulvihill, a principal stockholder and mother of Christopher Mulvihill, the Company's President and director.
- (3) Heather Mulvihill is the sister-in-law of Christopher Mulvihill and daughter-in-law of Gail Mulvihill.
- (4) Burton I. Koffman, a partner of IA 545 Madison Assoc., is a principal stockholder of the Company.
- (5) David Kent Koch is the Company's Chief Operating Officer.
- (6) Alexandria Equities, LLC became a 5% stockholder of the Company as a result of this purchase.

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

**12 Months Ended
Sep. 30, 2012**

[Accounting Policies](#)

[\[Abstract\]](#)

[Significant Accounting
Policies \[Text Block\]](#)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Boomerang Systems, Inc. and the accounts of all majority-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Research and Development

Pursuant to ASC 730, *Research and Development*, research and development costs are expensed as incurred. Research and development costs for the years ended September 30, 2012 and 2011 were \$1,557,898 and \$2,202,020, respectively.

Earnings Per Common Share

We adopted ASC 260. The statement established standards for computing and presenting earnings per share (“EPS”). It replaced the presentation of primary EPS with a basic EPS and also requires dual presentation of basic and diluted EPS on the face of the income statement. Basic income/(loss) per share was computed by dividing our net income/(loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common shares used to calculate basic and diluted income/(loss) per common share for the years ended September 30, 2012 and September 30, 2011 was 7,329,410 and 7,117,078, respectively. The Company’s common stock equivalents, of outstanding options, warrants and convertible notes, have not been included as to include them would be anti-dilutive. As of September 30, 2012 and 2011, there were fully vested options outstanding for the purchase of 635,135 and 597,165 common shares, warrants for the purchase of 9,408,610 and 4,196,184 common shares, and notes convertible into 3,975,206 and 0 common shares, respectively, all of which could potentially dilute future earnings per share.

Revenue Recognition

Revenues from the sales of RoboticValet and rack and rail systems are recognized using the percentage of completion method, whereby revenue and the related gross profit is determined by comparing the actual costs incurred to date for the project to the total estimated project costs at completion.

Project costs generally include all material and shipping costs, our direct labor, subcontractor costs and an allocation of indirect costs related to the direct labor. Changes in the project scope, site conditions, staff performance and delays or problems with the equipment used on the project can result in increased costs that may not be billable or accepted by the customer and a loss or lower profit from what was originally anticipated at the time of the proposal.

Estimates for the costs to complete the project are periodically updated by management during the performance of the project. Provisions for changes in estimated costs and losses, if any, on uncompleted projects are made in the period in which such losses are determined.

When the current estimate of total contract costs exceeds the current estimate of total contract revenues, a provision for the entire loss on the contract is made. Losses are recognized in the period in which they become evident under the percentage-of-completion method. The loss is computed on the basis of the total estimated costs to complete the contract, including the contract

costs incurred to date plus the estimated costs to complete. As of September 30, 2012, it was estimated that the gross loss on current contracts would be \$3,998,970. This loss is comprised of \$3,496,341 recognized through the percentage of completion method for the year ended September 30, 2012, and \$502,629 as a provision for the remaining loss on contracts.

Revenues of \$1,145,294 and \$1,591,948 have been recognized for the years ended September 30, 2012 and 2011, respectively.

The Company may have service contracts in the future after the contract warranty period is expired, which are separate and distinct agreements from project agreements and will be billed according to the terms of the contract.

Warranty Reserves

The Company provides warranty coverage on its products for a specified time as stipulated in its sales contracts. As revenues for contracts are recognized, the Company will record a warranty reserve for estimated costs in connection with future warranty claims associated with those contracts. The amount of warranty reserve is based primarily on the estimated number of products under warranty and historical costs to service warranty claims. Management periodically assesses the adequacy of the reserves based on these factors and adjusts the reserve accordingly. The Company has incurred warranty expense of \$377,619 and \$0 in fiscal years 2012 and 2011, respectively, relating to its existing projects.

Cash and Equivalents

For purposes of the statement of cash flows, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts reflects our best estimate of probable credit losses inherent in our existing accounts receivable balance. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We determine this allowance based on known troubled accounts, history and other currently available evidence. Accordingly, we have recorded an allowance for doubtful accounts of \$155,781 and \$0 at September 30, 2012 and 2011, respectively.

Investment at Equity

The Company accounts for the equity investment using the equity method unless its value has been determined to be other than temporarily impaired, in which case we write the investment down to its impaired value. The Company reviews this investment periodically for impairment and makes appropriate reductions in carrying value when other-than-temporary decline is evident; however, for non-marketable equity securities, the impairment analysis requires significant judgment. During its review, the Company evaluates the financial condition of the issuer, market conditions, and other factors providing an indication of the fair value of the investment. Adverse changes in market conditions or operating results of the issuer that differ from expectation could result in additional other-than-temporary losses in future periods.

Inventory

Inventory is stated at the lower of cost or market using the weighted average cost method. Inventory includes materials, parts, assemblies and work in process. The Company records an inventory reserve for the anticipated loss associated with slow moving, obsolete and/or damaged inventory.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Costs of major additions and betterments are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives which range from three years to fifteen years. Depreciation and amortization for the years ended September 30, 2012 and September 30, 2011 was \$297,961 and \$52,006, respectively.

Income Taxes

We account for income taxes under ASC 740-10. ASC 740-10 requires an asset and liability approach for financial reporting for income taxes. Under ASC 740-10, deferred taxes are provided for temporary differences between the carrying values of assets and liabilities for financial reporting and tax purposes at the enacted rates at which these differences are expected to reverse. The Company and its subsidiaries file a consolidated Federal income tax return and separate state returns in New Jersey and Utah. For Federal and State tax purposes, the tax years 2008 through 2011 remain open to examination.

Use of Estimates

Management of the Company has made estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Estimates are used in accounting for, among other items, allowance for doubtful accounts, inventory obsolescence, warranty expense, income taxes and percentage of completion contracts. Actual results could differ from these estimates.

Impairment of Long-Lived Assets

We review the long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine if impairment exists, we compare the estimated future undiscounted cash flows from the related long-lived assets to the net carrying amount of such assets. Once it has been determined that an impairment exists, the carrying value of the asset is adjusted to the fair value. Factors considered in the determination of the fair value include current operating results, trends and the present value of estimated expected future cash flows. No impairment charges were recorded in fiscal year 2012 or 2011.

Derivative liability

The Company accounts for reset provisions in connection with their issuance of debt, and reset provisions of equity instruments attached to their debt, in accordance with Emerging Issues Task Force ("EITF") Consensus No. 07-5 "Determining Whether an Instrument (or Embedded Feature) is indexed to an Entity's Own Stock" (EITF 07-5"). Under EITF 07-5, instruments which contain full ratchet anti-dilution provisions are no longer considered indexed to a company's own stock for purposes of determining whether it meets the first part of the scope exception in paragraph 11 (a) of FASB 133 "Accounting for Derivative Instruments and Hedging Activities", now promulgated in ASC 815, "Derivative and Hedging". Under ASC 815 the Company is required to (1) evaluate an instrument's contingent exercise provisions and (2) evaluate the instrument's settlement provisions.

Fair Value Measurements

As defined in FASB ASC Topic 820 – 10, "*Fair Value Measurements and Disclosures*," fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 – 10 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurements be classified and disclosed in one of the following categories:

Level 1:	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2:	Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that the Company values using observable market data. Substantially all of these inputs are observable in the marketplace throughout the term of the derivative instruments, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace.
Level 3:	Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e. supported by little or no market activity). The Company's valuation models are primarily industry standard models. Level 3 instruments include derivative warrant instruments. The Company does not have sufficient corroborating evidence to support classifying these assets and liabilities as Level 1 or Level 2.

As required by FASB ASC Topic 820 – 10, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The estimated fair value of the derivative liability was calculated using the Black-Scholes option pricing model. The Company uses Level 3 inputs to value its derivative liabilities. The following table provides a reconciliation of the beginning and ending balances for the major classes of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) and reflects gains and losses for the years ended September 30, 2012 and 2011 for all financial assets and liabilities categorized as Level 3 as of September 30, 2012.

	2012	2011
Liabilities:		
Balance of derivative liabilities – beginning of year	\$ -	\$ -
Initial recording of derivative liability	10,831,922	-
Change in fair value of derivative liabilities	2,237,741	-
Balance of derivative liabilities - end of year	\$13,069,663	\$ -

The Company incurred the derivative liability set forth on the September 30, 2012 balance sheet in connection with the Offering (see Note 9).

Advertising Expense

Advertising costs amounted to \$164,620 and \$242,717 for the years ended September 30, 2012 and 2011, respectively, and are included in Sales and Marketing. Advertising costs are expensed as incurred.

Stock-Based Compensation

The analysis and computation was performed based on our adoption of ASC 718-10-25, which requires the recognition of the fair value of stock-based compensation. For the fiscal years ended September 30, 2012 and 2011, we conducted an outside independent analysis and our own review, and based on the results, we recognized \$522,987 and \$723,637 in share-based payments related to non-vested stock options that were issued from fiscal year 2008 through 2010, and \$0

and \$1,249,997 for fully vested options issued during the year ended September 30, 2012 and 2011, respectively. We recognized \$1,209,806 and \$4,227,406 for the issuance of warrants, of which \$786,296 and \$4,202,406 were for warrants issued to the Chief Executive Officer of the Company in connection with his employment agreement and \$423,510 and \$25,000 were for issuances of warrants to consultants for services during the year ended September 30, 2012 and 2011, respectively. We also recognized \$50,001 and \$0 for the issuance of common stock for services during the year ended September 30, 2012 and 2011.

Reclassification

Certain fiscal year ended September 30, 2011 items have been reclassified to conform with the fiscal year ended September 30, 2012 presentation.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." The amendments in this ASU are effective during interim and annual periods beginning after December 15, 2011. The adoption of this ASU is not expected to have a material impact on the consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the consolidated financial statements of the Company.

**COMMITMENTS AND
CONTINGENCIES (Tables)**

**12 Months Ended
Sep. 30, 2012**

[Commitments and Contingencies](#)

[Disclosure \[Abstract\]](#)

[Schedule of Future Minimum Rental
Payments for Operating Leases \[Table Text
Block\]](#)

The aggregate future minimum annual rental payments, exclusive of escalation payments for taxes and operating costs, under operating leases are as follows:

Year ended	
September 30, 2013	\$142,406
September 30, 2014	147,919
September 30, 2015	153,431
September 30, 2016	158,944
September 30, 2017	26,644
Total	<u>\$629,344</u>

PROPERTY, PLANT AND EQUIPMENT (Details) (USD \$)	Sep. 30, 2012		Sep. 30, 2011	
Property, Plant and Equipment, Gross	\$ 3,161,293		\$ 3,033,094	
Less: Accumulated depreciation	(456,377)		(158,416)	
Property, plant and equipment, net	2,704,916		2,874,678	
Computer Equipment [Member]				
Property, Plant and Equipment, Gross	310,734		242,149	
Machinery and Equipment [Member]				
Property, Plant and Equipment, Gross	126,817		96,855	
Furniture and Fixtures [Member]				
Property, Plant and Equipment, Gross	62,803		35,856	
Leaseholds and Leasehold Improvements [Member]				
Property, Plant and Equipment, Gross	62,469		62,469	
Building [Member]				
Property, Plant and Equipment, Gross	2,598,470		0	
Construction In Progress [Member]				
Property, Plant and Equipment, Gross	\$ 0	[1]	\$ 2,595,765	[1]

[1] All construction in progress at September 30, 2011, was for the demonstration facility at Crystal Springs Resort which was completed in October 2011 and reallocated to Machinery and equipment and buildings.

EQUITY (Details 2) (USD \$)	12 Months Ended		Sep. 30, 2010
	Sep. 30, 2012	Sep. 30, 2011	
Range of Exercise Price	\$ 2	\$ 2	
Range of Exercise Price	\$ 18	\$ 18	
Number Outstanding	641,385	641,385	441,385
Weighted Average Remaining Life in Years	6 years 6 months 14 days	7 years 6 months 18 days	
Weighted Average Exercise Price	\$ 4.82	\$ 4.82	\$ 4.73
Number Exercisable	635,135	597,635	
Weighted Average Exercise Price Exercisable Options	\$ 4.84	\$ 5.02	
Weighted Average Remaining Life in Years Exercisable Options	6 years 7 months 24 days	7 years 10 months 20 days	
Warrant [Member]			
Range of Exercise Price	\$ 2	\$ 2	
Range of Exercise Price	\$ 25	\$ 25	
Number Outstanding	8,767,225	4,196,184	2,458,252
Weighted Average Remaining Life in Years	3 years 7 months 24 days	3 years 10 months 28 days	
Weighted Average Exercise Price	\$ 5.92	\$ 7.69	\$ 8.41
Number Exercisable	8,767,225	4,196,184	
Weighted Average Exercise Price Exercisable Options	\$ 5.92	\$ 7.69	
Weighted Average Remaining Life in Years Exercisable Options	3 years 7 months 24 days	3 years 10 months 28 days	

**CONSOLIDATED
BALANCE SHEETS (USD
\$)**

	Sep. 30, 2012	Sep. 30, 2011
<u>ASSETS</u>		
<u>Cash and cash equivalents</u>	\$ 2,079,235	\$ 65,590
<u>Restricted cash</u>	81,671	0
<u>Accounts receivable, net</u>	70,744	411,336
<u>Inventory</u>	307,990	202,189
<u>Prepaid expenses and other assets</u>	58,557	37,993
<u>Costs in excess of billings</u>	475,654	521,213
<u>Total current assets</u>	3,073,851	1,238,321
<u>Property, plant and equipment, net</u>	2,704,916	2,874,678
<u>Other assets:</u>		
<u>Note receivable</u>	0	16,748
<u>Security deposit</u>	20,825	0
<u>Investment at equity</u>	230,195	139,836
<u>Total other assets</u>	251,020	156,584
<u>Total assets</u>	6,029,787	4,269,583
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
<u>Accounts payable and accrued liabilities</u>	1,888,924	1,635,353
<u>Due to related party</u>	176,610	0
<u>Deposit payable</u>	124,403	154,403
<u>Billings in excess of costs and estimated earned profits on uncompleted contracts</u>	5,147	0
<u>Estimated loss on uncompleted contract</u>	502,629	188,484
<u>Debt- current portion</u>	88,407	110,780
<u>Total current liabilities</u>	2,786,120	2,089,020
<u>Long term liabilities:</u>		
<u>Debt- long term, net of discount</u>	3,096,615	2,807,869
<u>Debt- long term- related party, net of discount</u>	2,332,191	3,425,334
<u>Derivative liability</u>	13,069,663	0
<u>Total long term liabilities</u>	18,498,469	6,233,203
<u>Total liabilities</u>	21,284,589	8,322,223
<u>Stockholders' deficit:</u>		
<u>Preferred stock, \$0.01 par value; authorized shares 1,000,000; 0 shares issued and outstanding</u>	0	0
<u>Common stock, \$0.001 par value; authorized shares 400,000,000 and 400,000,000; 7,469,366 and 7,277,192 issued and outstanding</u>	7,469	7,277
<u>Additional paid in capital</u>	54,972,338	48,752,581
<u>Accumulated deficit</u>	(70,234,609)	(52,812,498)
<u>Total stockholders' deficit</u>	(15,254,802)	(4,052,640)
<u>Total liabilities and stockholders' deficit</u>	\$ 6,029,787	\$ 4,269,583

INCOME TAXES (Details 1)
(USD \$)

	12 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011
<u>Federal corporate tax rate of 34% and applicable AMT applied to pretax loss</u>	\$ 0	\$ 0
<u>State and local taxes, net of federal benefit</u>	2,055	25,149
<u>Total tax expense (benefit)</u>	\$ 2,055	\$ 25,149

**CONSOLIDATED
STATEMENTS OF CASH
FLOWS (USD \$)**

**12 Months Ended
Sep. 30, Sep. 30,
2012 2011**

CASH FLOWS FROM OPERATING ACTIVITIES:

<u>Net loss</u>	\$	\$
	(17,422,111)	(19,102,004)

Adjustments to reconcile net loss operations to net cash (used in) operating activities:

<u>Depreciation and amortization</u>	297,961	52,006
<u>Loss on disposal of equipment</u>	0	1,893
<u>Allowance for doubtful accounts receivable</u>	155,781	0
<u>Grant of options for services</u>	522,987	1,973,634
<u>Issuance of warrants for services</u>	1,209,806	4,227,406
<u>Issuance of warrants for financing</u>	0	3,899,866
<u>Issuance of common stock for services</u>	50,001	0
<u>Issuance of common stock for interest expense</u>	736,161	0
<u>Loss on fair value of derivative</u>	2,237,741	0
<u>Amortization of discount on convertible debt</u>	2,137,202	0
<u>Loss on equity investment</u>	156,242	153,019

Changes in assets and liabilities:

<u>Decrease/(increase) in accounts receivable</u>	184,811	(175,731)
<u>(Increase) in restricted cash</u>	(81,671)	0
<u>Decrease in notes receivable</u>	16,748	8,710
<u>(Increase) in notes receivable (non-current)</u>	0	(913)
<u>(Increase) in security deposit</u>	(20,825)	0
<u>Decrease/(increase) in costs and estimated earned profits in excess of billings on completed contracts</u>	45,559	(521,213)
<u>(Increase)/decrease in inventory</u>	(105,801)	63,572
<u>(Increase)/decrease in prepaid expenses and other assets</u>	(20,564)	2,889
<u>Increase in accounts payable and accrued liabilities</u>	351,755	223,273
<u>Increase in due to related party</u>	176,610	283,466
<u>(Decrease) in deposit payable</u>	(30,000)	(65,000)
<u>Increase/(decrease) in billings in excess of costs and estimated earned profits on uncompleted contracts</u>	5,147	(48,186)
<u>Increase in estimated loss on uncompleted contract</u>	314,145	188,484
NET CASH (USED IN) OPERATING ACTIVITIES	(9,082,315)	(8,834,829)

CASH FLOWS FROM INVESTING ACTIVITIES:

<u>Purchase of property, plant and equipment</u>	(128,199)	(1,633,189)
<u>Additional equity investment</u>	(246,601)	(247,395)
NET CASH (USED IN) INVESTING ACTIVITIES	(374,800)	(1,880,584)

CASH FLOWS FROM FINANCING ACTIVITIES:

<u>Repayment of notes payable and line of credit</u>	(1,730,240)	(428,358)
<u>Proceeds from notes payable and line of credit</u>	2,176,000	5,725,000
<u>Proceeds from private placement- convertible notes</u>	11,025,000	0

<u>Proceeds from private placement- common stock</u>	0	1,199,999
<u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u>	11,470,760	6,496,641
<u>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</u>	2,013,645	(4,218,772)
<u>CASH AND CASH EQUIVALENTS - beginning of year</u>	65,590	4,284,362
<u>CASH AND CASH EQUIVALENTS- end of year</u>	2,079,235	65,590
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
<u>Interest</u>	10,450	12,523
<u>Income taxes</u>	2,055	25,149
<u>Non-cash investing and financing activities:</u>		
<u>Conversion of notes payable and accrued interest into convertible debt</u>	6,799,520	0
<u>Issuance of common stock for interest expense</u>	736,161	0
<u>Conversion of debt and accrued interest into common stock</u>	\$ 0	\$ 398,012

**COMMITMENTS AND
CONTINGENCIES (Details
Textual) (USD \$)**

12 Months Ended

	Sep. 30, 2012	Dec. 01, 2011 sqft
<u>Long Term Notes Payable Principal Amount Due</u>	\$ 736,025	
<u>Long-term Debt, Percentage Bearing Fixed Interest, Percentage Rate</u>	3.807%	
<u>Debt Instrument, Maturity Date</u>	Aug. 01, 2027	
<u>Number Of Years Of Lease</u>	five year	
<u>Area of Land</u>		7,350
<u>Debt Instrument Maturity Period</u>	twenty year	

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Details) (USD \$)**

12 Months Ended
Sep. 30, 2012 Sep. 30, 2011

<u>Balance of derivative liabilities - beginning of year</u>	\$ 0	\$ 0
<u>Initial Recording Of Derivative Liability</u>	10,831,922	0
<u>Change in fair value of derivative liabilities</u>	2,237,741	0
<u>Balance of derivative liabilities - end of year</u>	\$ 13,069,663	\$ 0

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Tables)**

12 Months Ended

Sep. 30, 2012

Accounting Policies

[Abstract]

**Schedule of Fair Value, Assets
and Liabilities Measured on
Recurring Basis [Table Text
Block]**

The following table provides a reconciliation of the beginning and ending balances for the major classes of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) and reflects gains and losses for the years ended September 30, 2012 and 2011 for all financial assets and liabilities categorized as Level 3 as of September 30, 2012.

	2012	2011
Liabilities:		
Balance of derivative liabilities – beginning of year	\$ -	\$ -
Initial recording of derivative liability	10,831,922	-
Change in fair value of derivative liabilities	2,237,741	-
Balance of derivative liabilities - end of year	<u>\$13,069,663</u>	<u>\$ -</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Details Textual) (USD \$)	12 Months Ended		
	Sep. 30, 2012	Sep. 30, 2011	Sep. 30, 2010
Loss on Contract Termination	\$ 3,998,970		
Loss Recognized Under Percentage Of Completion Method	3,496,341		
Provision For Remaining Loss On Contract	502,629		
Revenues Recognized Under Percentage Of Completion Method	1,145,294	1,591,948	
Weighted average number of shares - basic and diluted (in shares)	7,329,410	7,117,078	
Share-based Compensation Arrangement by Share-based Payment Award, Options, Outstanding, Number	641,385	641,385	441,385
Warrants Outstanding Number	9,408,610	4,196,184	
Share Based Compensation Arrangement By Share Based Payment Award Amount	522,987	723,637	
Recognized For Non Vested Stock Options Issued			
Share Based Compensation Arrangement By Share Based Payment Award Amount	0	1,249,997	
Recognized For Fully Vested Stock Options Issued			
Share Based Compensation Arrangement By Share Based Payment Award Amount	1,209,806	4,227,406	
Recognized For Warrants Issued			
Issuance Of Warrants - Officer	786,296	4,202,406	
Expense Related To Common Stock Issue	50,001	0	
Warranty Expenses	377,619	0	
Research and development	1,557,898	2,202,020	
Marketing and Advertising Expense	164,620	242,717	
Issuance of warrants to consultants	0	3,899,866	

Property, Plant and Equipment, Useful Life	15 years	
Other Depreciation and Amortization	297,961	52,006
Incremental Common Shares Attributable to Conversion of Debt Securities	3,975,206	0
Allowance for Doubtful Accounts Receivable	155,781	0
Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested and Expected to Vest, Outstanding, Number	635,135	597,165
Minimum [Member]		
Property, Plant and Equipment, Useful Life	3 years	
Maximum [Member]		
Property, Plant and Equipment, Useful Life	15 years	
Accounting Standards Update 2011-04 [Member]		
New Accounting Pronouncement or Change in Accounting Principle, Description	In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments in this ASU are effective during interim and annual periods beginning after December 15, 2011. The adoption of this ASU is not expected to have a material impact on the consolidated financial statements.	
Accounting Standards Update 2011-05 [Member]		
New Accounting Pronouncement or Change in Accounting Principle, Description	In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income." Under the amendments in this ASU, an entity has two options for presenting its total comprehensive income: to present total comprehensive income and its components along with the components of net income in a single continuous statement, or in two separate but consecutive statements. The amendments in this ASU are required to be applied retrospectively and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The adoption of ASU No. 2011-05 will not have any material impact on the Company's consolidated financial position and results of operations.	
Accounting Standards Update 2011_08 [Member]		

[New Accounting
Pronouncement or Change in
Accounting Principle,
Description](#)

In September 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-08, Intangibles Goodwill and Other (Topic 350). This Accounting Standards Update amends FASB ASC Topic 350. This amendment specifies the change in method for determining the potential impairment of goodwill. It includes examples of circumstances and events that the entity should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption does not have any material impact on the Company's consolidated financial position and results of operations.

Chief Executive Officer
[Member]

[Issuance of warrants to
consultants](#)

\$ 423,510

\$ 25,000

INVENTORY (Tables)

**12 Months Ended
Sep. 30, 2012**

[Inventory Disclosure \[Abstract\]](#)

[Schedule of Inventory, Current \[Table Text Block\]](#)

The components of inventory as of September 30, 2012 and 2011 were as follows:

	2012	2011
Parts, materials and assemblies	\$229,667	\$185,143
Work in-process	78,323	17,046
Total Inventory	<u>\$307,990</u>	<u>\$202,189</u>

**ORGANIZATION AND
NATURE OF
OPERATIONS**

**12 Months Ended
Sep. 30, 2012**

[Organization, Consolidation
and Presentation Of
Financial Statements
\[Abstract\]](#)

[Organization, Consolidation
and Presentation of Financial
Statements Disclosure \[Text
Block\]](#)

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

The Company

The Company, through its wholly owned subsidiary, Boomerang Utah, is engaged in the design, development, and marketing of automated storage and retrieval systems for automobile parking and containerized self-storage units. The Company was a developmental stage company through the first quarter of fiscal 2008.

Unless the context otherwise requires, the terms “Company,” “we,” “our,” and “us,” means Boomerang Systems, Inc. and its consolidated subsidiaries.

On June 20, 2011, an amendment to the Company’s Certificate of Incorporation was filed, effecting a one-for-twenty reverse split (the “Reverse Split”) of Boomerang’s common stock. The par value of the Company’s common stock remained \$0.001 per share and the number of shares of common stock authorized to be issued remained at 400,000,000.

All share numbers in the financial statements give effect to the Reverse Split.

**CONSOLIDATED
BALANCE SHEETS**
[Parenthetical] (USD \$)

Sep. 30, 2012 Sep. 30, 2011

<u>Preferred stock, par value (in dollars per share)</u>	\$ 0.01	\$ 0.01
<u>Preferred stock, shares authorized</u>	1,000,000	1,000,000
<u>Preferred stock, shares issued</u>	0	0
<u>Preferred stock, shares outstanding</u>	0	0
<u>Common stock, par value (in dollars per share)</u>	\$ 0.001	\$ 0.001
<u>Common stock, shares authorized</u>	400,000,000	400,000,000
<u>Common stock, shares issued</u>	7,469,366	7,277,192
<u>Common stock, shares outstanding</u>	7,469,366	7,277,192

RELATED PARTY TRANSACTIONS

**12 Months Ended
Sep. 30, 2012**

[Related Party Transactions](#)

[\[Abstract\]](#)

[Related Party Transactions Disclosure \[Text Block\]](#)

NOTE 11 – RELATED PARTY TRANSACTIONS

HSK Funding, Inc., Lake Isle Corp., and Venturetek, LP, are beneficial holders of shares of our company's common stock and certain of their members and stockholders are also the members of SB&G Properties, LC. ("SB&G"), which is the landlord under a lease with us. Gail Mulvihill, the individual who exercises sole voting and investment control over Lake Isle Corp., is the mother of Christopher Mulvihill, our President, and is a principal stockholder of our company. SB&G entered into a lease with Boomerang Utah dated October 1, 2008, relating to premises located at 324 West 2450 North, Building A, Logan, Utah ("Building A"). The Company assumed this lease in February 2008. The initial term of the lease was for one year with an annual rent of \$260,610 plus real property and school taxes. In addition, Boomerang is obligated to pay for all utilities, repairs and maintenance to the property. The approximately 29,750 square foot leased premises are used for Boomerang's manufacturing activities. On March 15, 2010, Boomerang and SB&G agreed to maintain these terms until September 30, 2011. This lease has been extended on a month-to-month basis. On November 1, 2011, deferred rental payments totaling \$220,763 were refinanced as part of the Offering described in Note 9 – Debt. Deferred rental payments totaling \$176,610 have been accrued as of September 30, 2012 and classified as due to related party on our balance sheet.

Stan Checketts Properties ("SCP"), a company owned by the chief executive officer of Boomerang's wholly owned subsidiary, Boomerang Sub, Inc., entered into a lease with Boomerang Utah dated October 1, 2008 for premises located at 324 West 2450 North, Building B, Logan, Utah. The Company assumed this lease in February 2008. The initial term of the lease was for one year at a fixed annual rent of \$157,680 plus real property and school taxes. In addition, Boomerang is obligated to pay for all utilities and for repairs and maintenance to the property. The approximately 18,000 square foot leased premises are, in addition to Building A, also used for Boomerang's manufacturing activities. We are currently leasing an additional 2,400 square feet of office and conference room space with Stan Checketts Properties for \$1,800 per month. On March 15, 2010, Boomerang and SCP agreed to maintain these terms until September 30, 2011. On October 28, 2011, Boomerang and SCP amended the terms of the lease to provide for a monthly payment of \$14,940, effective as of October 1, 2011, and to extend the lease on a month-to-month basis. On November 1, 2011, deferred rental payments totaling \$133,571 were refinanced as part of the Offering described in Note 9 – Debt.

SB&G is obligated on a twenty-year promissory note due August 1, 2027 owing to Zions Bank. The principal amount due was \$736,025 as of September 30, 2012, and the note bears interest at 3.807% per annum. The promissory note is collateralized by the real property that is the subject of the lease from SB&G to Boomerang Utah. Boomerang, the Estate of Gene Mulvihill and Messrs. Stan Checketts and Burton Koffman ("Koffman") are the joint and several guarantors of this promissory note. Gene Mulvihill was the husband of Gail Mulvihill and the father of Christopher Mulvihill, the President of the Company.

The Estate of Gene Mulvihill and Mr. Koffman are the guarantors of a financing lease entered into on September 1, 2007 between Boomerang Utah and a nonaffiliated bank. The lease relates to certain equipment used by Boomerang Utah in its manufacturing operations. The total cost of the equipment was approximately \$900,000. The rental was payable in sixty monthly installments of approximately \$12,750, through August 31, 2012. At that time, Boomerang Utah had the option to purchase the equipment for approximately \$315,000 or refinance it for an additional twenty four months. Boomerang refinanced the rental over twenty four months and has the option to purchase the equipment for \$1 at the conclusion of the lease term. The lease commences on January 1, 2013 and ends on December 1, 2014, with twenty four monthly installments of approximately \$13,890.

The Company used the services of Coordinate Services, Inc. for product development. The owner of Coordinate Services, Inc., is Gene Mulvihill, Jr., the brother of Christopher Mulvihill, our President, and the son of Gail Mulvihill. The amount of this expense for the twelve months ended September 30, 2012 and 2011 was \$152,192 and \$158,879 respectively; which is recorded under research and development expenses.

The Company reimbursed North Jersey Management Services, Inc. for consulting expenses for the services of Joseph Bellantoni, the former Chief Financial Officer of the Company, and Maureen Cowell, the Company's Corporate Secretary. Mr. Bellantoni is also the President and Mrs. Cowell is the Vice President of North Jersey Management Services, Inc. Mr. Bellantoni and Ms. Cowell are directors of the Company. The amount of this expense for the twelve months ended September 30, 2012 and 2011 was \$78,000 and \$78,000 respectively; which is recorded under general and administrative expenses.

In April 2010, we entered into a twenty-year ground lease with Route 94 Development Corporation ("Route 94") to lease a portion of an approximately fifteen acre parcel in the town of Hamburg, located in Hardyston Township, New Jersey, on which we constructed a RoboticValet parking facility. The leased property is adjacent to Grand Cascades Lodge ("Cascades"), a hotel within the Crystal Springs Golf and Spa Resort ("the Resort"). The parking facility was constructed by Crystal Springs Builders, LLC ("Builders"). It is intended that this facility will be used by us primarily for demonstration and marketing purposes in the eastern portion of the United States. In consideration of the benefits to us under the terms of the lease, we agree to provide to the lessor and its affiliates parking and storage space within the facility at no cost to the lessor and its affiliates subject to our right to use the facility for demonstration purposes. In addition, we are required to pay the operating costs, premiums on the insurance required under the terms of the lease and incremental property taxes resulting from our construction of the facility. For a period of 60 months, commencing five years after execution of the lease, the lessor has the option to purchase the facility from us and we have a right to cause the lessor to buy from us the facility we construct. The price to be paid by the lessor upon exercise of its option to purchase the facility is 110% of the greater of (i) the depreciated value of the facility, or (ii) the fair market value of the facility, and the price to be paid by the lessor upon exercise of our right to cause the lessor to buy the facility is \$1.00.

The Resort owns and operates seven golf courses, two hotels and a fitness facility and develops real estate in Sussex County NJ, which is comprised of more than 40 additional entities, including the above named entities. Gail Mulvihill owns 50% of each of Builders, Cascades and Route 94 and, indirectly, through these and various other entities, Gail Mulvihill and her family own approximately 50% of the Resort. Except as set forth above, no other officer, director or 5% or greater stockholder of the Company has any equity interest in Builders, Cascades or Route 94. The Company incurred expenses of \$0 and approximately \$1,074,440 payable to Builders during the year ended September 30, 2012 and 2011, respectively. The Company incurred expenses of approximately \$115,000 and \$82,000 payable to Cascades for the year ended September 30, 2012 and 2011, respectively. No expenses were incurred for Route 94 during the year ended September 30, 2012 and 2011.

On May 14, 2010, the Company entered into a 6% convertible line of credit for up to \$1,300,000 with Sail Energy, a company owned by Gail Mulvihill, who has sole voting and investment control. In May 2011, it was agreed between the Company and Sail Energy that there would be no additional borrowing under this line of credit. On November 1, 2011, outstanding principal and interest totaling \$300,142 was refinanced as part of the Offering described in Note 9 – Debt.

In July 2010, Venturetek, LP, a principal stockholder of the Company, entered into a 6% convertible promissory note with the Company for \$273,000. On November 1, 2011, outstanding principal and interest totaling \$292,461 was refinanced as part of the Offering described in Note 9 – Debt.

From March to May 2011, the Company drew down the entire balance on its line of credit of \$3,250,000. In connection with the draw down, the Company issued notes in an aggregate

amount of \$2,000,000 to four related parties. On November 1, 2011, outstanding principal and interest totaling approximately \$2,028,000 was refinanced as part of the Offering.

In October 2011, Atlantic and Madison of NJ Corp, a company owned by Gail Mulvihill, loaned the Company an aggregate of \$376,000 with the understanding that upon finalization of the documents related to a private placement by the Company, this loan would be considered an investment in such private placement. On October 28, 2011, Atlantic and Madison of NJ Corp caused the \$300,000 bank note to be paid in full. Accordingly, the Company became indebted to Atlantic and Madison of NJ Corp for an additional \$300,000. The loans did not bear interest and had no repayment terms.

On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill. On November 1, 2011, this outstanding debt was refinanced as part of the Offering.

On October 28, 2011, Lake Isle Corp caused the \$1,000,000 bank line of credit to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000, and this debt was refinanced on November 1, 2011, as part of the Offering.

On November 1, 2011, Mark Patterson, our Chief Executive Officer, loaned us \$100,000 with the understanding that upon finalization of the documents related to a private placement by the Company, this loan would be considered an investment in such private placement. The debt outstanding under this loan was refinanced on November 18, 2011, as part of the Offering. The loan did not bear interest and had no repayment terms.

In connection with the Offering, the following officers, directors, 5% stockholders and affiliates of the Company refinanced indebtedness in the amounts and for the Notes and Warrants listed below.

Name	Indebtedness Converted	Notes issued in Offering	Warrants issued in Offering
HSK Funding Inc. ⁽¹⁾	\$ 254,000	\$ 254,000	59,765
Lake Isle Corporation ⁽²⁾	\$ 1,761,917	\$ 1,761,917	414,570
Christopher Mulvihill ⁽³⁾	\$ 1,451,000 ⁽¹¹⁾	\$ 1,451,000	341,412
James Mulvihill TTEE			
Sunset Group Inc.	\$ 253,917 ⁽¹²⁾	\$ 253,917	59,745
PSP ⁽⁴⁾			
MRP Holdings LLC and Mark R Patterson	\$ 608,014	\$ 608,014	143,063
Revocable Trust ⁽⁵⁾			
Sail Energy LLC ⁽⁶⁾	\$ 300,142	\$ 300,142	70,622
Stan Checketts Properties, L.C. ⁽⁷⁾	\$ 133,571	\$ 133,571	31,429
SB&G Properties LLC ⁽⁸⁾	\$ 220,763	\$ 220,763	51,945
Venturetek L.P. ⁽⁹⁾	\$ 292,461	\$ 292,461	68,815
Albert Behler ⁽¹⁰⁾	\$ 507,972	\$ 507,972	119,523

- (1) HSK Funding Inc. is a principal stockholder and a member of SB&G Properties LLC. Gail Mulvihill, the individual who exercises sole voting and investment control over
- (2) Lake Isle Corporation, is the mother of Christopher Mulvihill, the Company's President, and is a principal stockholder. Lake Isle Corporation is a member of SB&G Properties LLC.
- (3) Christopher Mulvihill is the Company's President and director.
- (4) James Mulvihill is the brother of Christopher Mulvihill and son of Gail Mulvihill.

- (5) MRP Holdings LLC, and Mark R Patterson Revocable Trust are owned by Mark Patterson, the Company's Chief Executive Officer and director.
- (6) Sail Energy LLC is owned by Gail Mulvihill.
- (7) Stan Checketts Properties, L.C. is owned by Stan Checketts, the Chief Executive Officer of the Company's wholly owned subsidiary and director of the Company, and is a principal stockholder. Stan Checketts Properties is a member of SB&G Properties LLC.
- (8) SB&G Properties LLC is owned by HSK Funding Inc., Stan Checketts Properties, Lake Isle Corporation and Venturetek L.P.
- (9) Venturetek L.P. is a principal stockholder and a member of SB&G Properties LLC.
- (10) Albert Behler is a principal stockholder of the Company.
- (11) Included in this balance is \$1,000,000 of indebtedness resulting from a bank line of credit that Lake Isle Corp. caused to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000.
- (12) On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill.

During the quarter ended June 30, 2012, the Resort paid \$50,000 to the Company for the purchase of mechanical parking equipment that will be provided by Boomerang-Stokes Mechanical Parking LLC. As of September 30, 2012, the Company has paid the amount in full to Boomerang-Stokes Mechanical Parking LLC.

In connection with the 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
MRP Holdings LLC(1)	\$ 150,000	30,000
Sail Energy, LLC(2)	\$ 510,000	102,000
Heather Mulvihill(3)	\$ 100,000	20,000
IA 545 Madison Assoc.(4)	\$ 250,000	50,000
Burton I. Koffman (4)	\$ 50,000	10,000
David Kent and Christine W. Koch(5)	\$ 75,000	15,000
Alexandria Equities, LLC (6)	\$ 1,000,000	200,000

- (1) Mark R. Patterson, the sole member of MRP Holdings LLC, is the Company's Chief Executive Officer and a director.
- (2) Sail Energy, LLC is owned by Gail Mulvihill, a principal stockholder and mother of Christopher Mulvihill, the Company's President and director.
- (3) Heather Mulvihill is the sister-in-law of Christopher Mulvihill and daughter-in-law of Gail Mulvihill.
- (4) Burton I. Koffman, a partner of IA 545 Madison Assoc., is a principal stockholder of the Company.
- (5) David Kent Koch is the Company's Chief Operating Officer.
- (6) Alexandria Equities, LLC became a 5% stockholder of the Company as a result of this purchase.

Our management believes that the terms of the above transactions are as favorable to our company as could have been obtained from nonaffiliated persons at the time and under the circumstances as when the transactions were entered into.

DOCUMENT AND ENTITY INFORMATION (USD \$)	12 Months Ended	
	Sep. 30, 2012	Jan. 11, 2013 Mar. 31, 2012
Entity Registrant Name	Boomerang Systems, Inc.	
Entity Central Index Key	0000314712	
Current Fiscal Year End Date	--09-30	
Entity Filer Category	Smaller Reporting Company	
Trading Symbol	bmer	
Entity Common Stock, Shares Outstanding		7,559,694
Document Type	10-K	
Amendment Flag	false	
Document Period End Date	Sep. 30, 2012	
Document Fiscal Period Focus	FY	
Document Fiscal Year Focus	2012	
Entity Well-Known Seasoned Issuer	No	
Entity Voluntary Filers	No	
Entity Current Reporting Status	Yes	
Entity Public Float		\$ 14,596,435

COMMITMENTS AND CONTINGENCIES

**12 Months Ended
Sep. 30, 2012**

[Commitments and
Contingencies Disclosure](#)

[\[Abstract\]](#)

[Commitments and
Contingencies Disclosure](#)

[\[Text Block\]](#)

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Boomerang Utah is a joint and several guarantor on a twenty-year promissory note owing to a non-affiliated bank in the principal amount of \$736,025, bearing interest at 3.807% per annum and due August 1, 2027. The promissory note is collateralized by the real property that is the subject of the lease from SB&G to Boomerang. The Estate of Gene Mulvihill and Messrs. Checketts and Koffman are the other joint and several guarantors of the promissory note.

We entered into a five year lease, commencing on December 1, 2011, on a new principal office, consisting of approximately 7,350 square feet, located at 30 B Vreeland Avenue, Florham Park, NJ. This is also the location of our sales and marketing activities.

The aggregate future minimum annual rental payments, exclusive of escalation payments for taxes and operating costs, under operating leases are as follows:

Year ended September 30, 2013	\$142,406
September 30, 2014	147,919
September 30, 2015	153,431
September 30, 2016	158,944
September 30, 2017	26,644
Total	<u>\$629,344</u>

**CONSOLIDATED
STATEMENTS OF
OPERATIONS (USD \$)**

**12 Months Ended
Sep. 30, 2012 Sep. 30, 2011**

Revenues:

<u>System sales</u>	\$ 1,145,294	\$ 1,591,948
<u>Total revenues</u>	1,145,294	1,591,948
<u>Cost of goods sold</u>	2,818,382	3,241,531
<u>Gross loss</u>	(1,673,088)	(1,649,583)

Expenses:

<u>Sales and marketing</u>	1,321,056	2,176,724
<u>General and administrative expenses</u>	7,388,872	9,003,046
<u>Research and development</u>	1,557,898	2,202,020
<u>Depreciation and amortization</u>	297,961	52,006
<u>Total expenses</u>	10,565,787	13,433,796
<u>Loss from operations</u>	(12,238,875)	(15,083,379)

Other income (expenses):

<u>Interest income</u>	256	1,796
<u>Interest expense</u>	(755,954)	(113,657)
<u>Other income</u>	105,702	173,163
<u>Financing costs</u>	0	(3,899,866)
<u>Loss on disposal of equipment</u>	0	(1,893)
<u>Loss on equity investment</u>	(156,242)	(153,019)
<u>Amortization of discount on convertible debt</u>	(2,137,202)	0
<u>Loss on fair value of derivative</u>	(2,237,741)	0
<u>Total other income (expenses)</u>	(5,181,181)	(3,993,476)
<u>Loss before provision for income taxes</u>	(17,420,056)	(19,076,855)
<u>Provision for income taxes</u>	2,055	25,149
<u>Net loss</u>	\$ (17,422,111)	\$ (19,102,004)
<u>Net loss per common share - basic and diluted (in dollars per share)</u>	\$ (2.38)	\$ (2.68)
<u>Weighted average number of shares - basic and diluted (in shares)</u>	7,329,410	7,117,078

**COSTS IN EXCESS OF
BILLINGS/BILLINGS IN
EXCESS OF COSTS**

12 Months Ended

Sep. 30, 2012

[Contractors \[Abstract\]](#)

[Long-term Contracts or
Programs Disclosure \[Text
Block\]](#)

NOTE 6 – COSTS IN EXCESS OF BILLINGS/BILLINGS IN EXCESS OF COSTS

The Company entered into two contracts, one in fiscal 2010 and one in fiscal 2011 for construction of rack and rail-based parking systems and is recognizing revenue on the percentage of completion method.

Information with respect to uncompleted contracts at September 30, 2012 and 2011 are as follows:

Costs in excess of billings:	2012	2011
Earnings on billings to date	\$ 2,059,919	\$ 2,105,478
Less: Billings	(1,584,265)	(1,584,265)
Total costs in excess of billings	<u>\$ 475,654</u>	<u>\$ 521,213</u>
Billings in excess of costs:	2012	2011
Earnings on billings to date	\$ 1,190,853	\$ -
Less: Billings	(1,196,000)	-
Total (billings in excess of costs)	<u>\$ (5,147)</u>	<u>\$ -</u>

**PROPERTY, PLANT AND
EQUIPMENT**

**12 Months Ended
Sep. 30, 2012**

[Property, Plant and
Equipment \[Abstract\]](#)

[Property, Plant and Equipment
Disclosure \[Text Block\]](#)

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Computer equipment	\$ 310,734	\$ 242,149
Machinery and equipment	126,817	96,855
Furniture and fixtures	62,803	35,856
Leasehold improvements	62,469	62,469
Buildings	2,598,470	-
Construction in progress (1)	-	2,595,765
	<u>3,161,293</u>	<u>3,033,094</u>
<i>Less: Accumulated depreciation</i>	<i>(456,377)</i>	<i>(158,416)</i>
	<u><u>\$2,704,916</u></u>	<u><u>\$2,874,678</u></u>

(1) All construction in progress at September 30, 2011, was for the demonstration facility at Crystal Springs Resort which was completed in October 2011 and reallocated to machinery and equipment and buildings.

**INVESTMENT AT EQUITY
(Tables)**

[Schedule of Equity Method Investments](#)
[\[Table Text Block\]](#)

Boomerang Stokes Mechanical Parking
 [Member]

[Schedule of Equity Method Investments](#)
[\[Table Text Block\]](#)

**12 Months Ended
Sep. 30, 2012**

After factoring in the loss, our carrying value on this investment was \$142,899 at September 30, 2012.

Balance as of September 30, 2010	\$ 45,460
Additional investment	247,395
Loss on investment (49%)	(153,019)
Balance as of September 30, 2011	139,836
Additional investment	55,601
Loss on investment (49%)	(52,538)
Balance as of September 30, 2012	<u><u>\$ 142,899</u></u>

After factoring in the loss, our carrying value on this investment was \$87,296 at September 30, 2012.

Balance as of September 30, 2011	\$ -
Additional investment	191,000
Loss on investment (50%)	(103,704)
Balance as of September 30, 2012	<u><u>\$ 87,296</u></u>

**CONCENTRATION OF
RISK**

**12 Months Ended
Sep. 30, 2012**

[Risks and Uncertainties](#)

[\[Abstract\]](#)

[Concentration Risk Disclosure](#) **NOTE 13 – CONCENTRATION OF RISK**

[\[Text Block\]](#)

Financial instruments, which potentially expose the Company to concentrations of risk, consist primarily of cash and trade accounts receivable. At September 30, 2012, our cash balances did not exceed federally insured limits. The Company has not experienced any losses to date resulting from this policy. Certain vendors to the Company also accounted for a large representation of its purchases. The purchases from six vendors were in excess of 5% of purchases. The Company routinely assesses the financial strength of its customers, and as a consequence believes the concentration of these credit risks are limited.

DEBT

**12 Months Ended
Sep. 30, 2012**

[Debt Disclosure \[Abstract\]](#)

[Debt Disclosure \[Text Block\]](#)

NOTE 9 –DEBT

Current Debt

The Company entered into a sixty month capital equipment lease with a third party commencing in December 2007. The total principal balance of this lease was \$135,675 at an annual rate of 6.45%. At September 30, 2012, the outstanding principal balance was \$7,869, all of which was classified as current debt.

Effective February 6, 2008, the Company was indebted for an unsecured loan to a third party. As of September 30, 2012, the principal balance of this loan was \$80,538. The loan is not collateralized, bears interest at an annual rate of 10% and is due on demand. As of September 30, 2012, the balance of the loan including accrued interest was \$98,314.

In May 2010, the Company entered into a 6% line of credit with Sail Energy, a company owned by Gail Mulvihill, a principal shareholder of the Company and the mother of the Company's President, Christopher Mulvihill. As of September 30, 2011, the outstanding principal balance of this loan was \$273,000. On November 1, 2011, the total amount outstanding under this loan including accrued interest, \$300,142, was refinanced as part of the Offering described below.

In July 2010, the Company entered into a 6% Convertible Promissory Note with Venturetek, LP, a principal stockholder of the Company, with a principal amount of \$273,000. On November 1, 2011, the total amount outstanding under this note including accrued interest, \$292,461, was refinanced as part of the Offering described below.

From February through May 2011, the Company drew down an aggregate of \$3,250,000 on a line of credit provided by nine investors, including \$1,750,000 provided by four related parties. On November 1, 2011, the entire \$3,250,000 principal amount, plus accrued interest, was refinanced as part of the Offering described below.

On September 30, 2011, the Company owed an aggregate of \$220,763 to SB&G Properties for deferred rental payments. On November 1, 2011, this deferred rent was converted to a long-term note as part of the Offering below.

On September 30, 2011, the Company owed an aggregate of \$133,571 to Stan Checketts Properties for deferred rental payments. On November 1, 2011, this deferred rent was converted to a long-term note as part of the Offering below.

In October 2011, Atlantic and Madison of NJ Corp, a company owned by Gail Mulvihill, loaned the Company \$676,000 with the understanding that upon finalization of the documents related to a private placement by the Company, these loans would be considered an investment in such private placement. The loans did not bear interest and had no repayment terms. On November 1, 2011, this outstanding debt was refinanced as part of the private placement offering described below.

On October 28, 2011, Atlantic and Madison of NJ Corp caused the \$300,000 bank note issued on August 4, 2011, to be paid in full. Accordingly, the Company became indebted to Atlantic and Madison of NJ Corp for \$300,000. This note is included in the \$676,000 of loans described above.

On October 28, 2011, Atlantic and Madison of NJ Corp transferred title of an aggregate of \$1,451,000 principal amount of debt owed to it by the Company to Christopher Mulvihill. This debt was comprised of \$775,000 that was outstanding as of September 30, 2011, plus the

\$676,000 of loans described above. The debt outstanding under these notes was refinanced on November 1, 2011, as part of the private placement offering described below.

On October 28, 2011, Lake Isle Corp caused the \$1,000,000 bank line of credit entered into on June 30, 2011, to be paid in full. Accordingly, the Company became indebted to Lake Isle Corp for \$1,000,000, and this debt was refinanced on November 1, 2011, as part of the private placement offering described below.

On November 1, 2011, Mark Patterson, our Chief Executive Officer, loaned us \$100,000 with the understanding that upon finalization of the documents related to a private placement by the Company, this loan would be considered an investment in such private placement. The loan did not bear interest and had no repayment terms. The debt outstanding under this loan was refinanced on November 18, 2011, as part of the Offering.

On May 16, 2012, the Company entered into a \$400,000 line of credit with a bank, which bore interest at a rate of 5% per annum and was due on August 14, 2012. The line of credit was paid in full and terminated on June 14, 2012.

Long-Term Debt

Private Placement Offering – November/December 2011

On November 1, 2011, the Company issued to subscribers 6% convertible promissory notes (“Notes”) in the aggregate principal amount of approximately \$9.4 million and warrants (“Warrants”) to purchase approximately 2.2 million shares of Common Stock of the Company in the first of three (3) closings of a private placement (the “Offering”) for which the Company received cash proceeds of approximately \$2.7 million and refinanced approximately \$6.7 million of then existing short-term indebtedness. For each \$100,000 invested, a subscriber was issued a \$100,000 principal amount Note and Warrants to purchase 23,530 shares of the Company’s Common Stock.

As part of the Offering, on November 18, 2011, we issued to subscribers Notes in the aggregate principal amount of approximately \$1.35 million and Warrants to purchase approximately 318,000 shares of Common Stock for which the Company received cash proceeds of approximately \$1.25 million and refinanced approximately \$100,000 of indebtedness.

As part of the Offering, on December 9, 2011, we issued to subscribers Notes in the aggregate principal amount of approximately \$925,000 and Warrants to purchase approximately 218,000 shares of Common Stock, of which the Company received cash proceeds of approximately \$925,000.

The Notes are due five years after the respective date of issuance and are convertible into Common Stock at \$4.25 per share, subject to weighted average adjustment for issuances of common stock or common stock equivalents below the conversion price, subject to certain exceptions. The Warrants issued with the debt have a five year life with an initial exercise price of \$4.25 per share, subject to adjustment for issuances of common stock or common stock equivalents below the conversion price, subject to certain exceptions.

Interest accrues on the Notes at 6% per annum. Interest is payable quarterly, commencing on December 31, 2011, at the Company’s option, interest may be payable in: (i) cash or (ii) shares of the Common Stock. If the Company elects to pay interest in shares of its Common Stock on an interest payment date, the number of shares issuable will be equal to the quotient obtained by dividing the amount of accrued and unpaid interest payable on such interest payment date by the lesser of: (i) the conversion price, and (ii) the average of the last sale price of the Common Stock during the ten (10) consecutive trading days ending on the fifth (5th) trading day immediately preceding such interest payment date (the “Average Price”), if the average daily trading volume (the “ADTV”) of the Common Stock for the ten (10) trading days prior to the interest payment date is less than \$100,000 per day, provided, however if the ADTV is equal to or greater than \$100,000, it will be the Average Price, and not the conversion price.

The outstanding principal amount of the Notes and accrued and unpaid interest thereon will automatically convert into a number of shares of Common Stock determined by dividing the outstanding principal amount of the Notes plus accrued and unpaid interest thereon, by the conversion price in effect on the mandatory conversion date. The mandatory conversion date is the date on which (i) the last sale price of the Common Stock on 20 of the 30 immediately preceding trading days equals or exceeds 200% of the conversion price; (ii) the shares issuable upon conversion of the Notes are eligible for resale under an effective registration statement and/or Rule 144 promulgated under the Securities Act of 1933, as amended, without restriction as to volume or manner of sale and (iii) the ADTV during such 30 trading day period equals or exceeds \$500,000.

The Company also entered into a registration rights agreement with the subscribers. Pursuant to the registration rights agreement, the Company agreed to file a registration statement within 90 days after the closing date of the Offering (the "Closing Date") to register for resale the shares of common stock issuable upon conversion of the Notes and exercise of the Warrants and Placement Agent Warrants, defined below (collectively, the "Registrable Shares"). The registration statement was timely filed and declared effective by the SEC. The Company shall use its best efforts to cause any additional registration statements it may be required to file to be declared effective within 90 days of the required filing date.

In the event that a registration statement is not filed or declared effective by the SEC by the applicable deadline, the Company will pay to the holders of Registrable Shares an amount equal to 1% of the original principal amount of the investor's Note, multiplied by a fraction with the numerator equal to the number of Registrable Shares that were required to be included in such registration statement which is not so filed, declared effective or maintained and otherwise are unsold at the time of such failure and the denominator equal to the sum of the total number of shares issued or issuable to the Investor upon conversion of the Notes and exercise of the Warrants purchased pursuant to the subscription agreement and owned by such holder.

If an event of default as defined in the Notes exists, the holder may declare the entire principal of, and all interest accrued and unpaid on, the Note then outstanding to be, due and payable.

The Company has valued the Warrants, and the beneficial conversion features ("BCF") of the Notes, to their maximum value in proportion to the Notes and had accounted for them as a discount to the debt. In certain circumstances the convertibility features and the attached Warrants contain reset provisions which adjust the conversion price of the Notes and the exercise price of the Warrants should the Company sell additional shares of common stock below the initial conversion price of the Notes or warrant exercise price as agreed to upon entry into the convertible notes payable. The Company has assessed that the reset provision for the convertibility feature and the warrant exercise price are such that they are not indexed to the Common Stock and is therefore a derivative in accordance with ASC 815-40 (formerly EITF 07-5). As such the derivative was valued on the date of its initiation, with each issuance of convertible debt, and will be re-valued at its fair value at each subsequent interim and annual reporting period.

The Company valued the Warrants and the BCF, and the resulting derivative liability, at \$5,309,941 each for the Warrants and the BCF, for a total of \$10,619,882 recorded as a discount to the convertible debt during the first quarter of fiscal 2012. This discount will be amortized over the life of the note or until such time as the note is repaid or converted, or upon exercise of the Warrants. The valuation of the Warrants, BCF, and the resulting derivative liability, were determined using the Black-Scholes option pricing model with the following weighted assumptions for all debt issuances: i) expected dividend rate of 0% ii) expected volatility of 52.7% iii) risk free interest rate of 0.9% and expected term of 5 years. During the year ended September 30, 2012 the Company has amortized \$1,917,494 of the of debt discount.

As of the date(s) of the Note issuances the aggregate fair value of the derivative was \$10,619,882. The revaluation of the derivative as of September 30, 2012 resulted in a derivative value of \$12,813,928. The change in fair value of the derivative from the date(s) of note issuance through

September 30, 2012 resulted in an increase in the fair value of the derivative liability of \$2,194,046. The derivative liability was revalued on September 30, 2012 using the Black-Scholes option pricing model with the following weighted assumptions: i) expected dividend rate of 0% ii) expected volatility of 53.16% iii) risk free interest rate of 0.9% and expected term of 4.10 years.

In connection with the Offering, the Company issued warrants to the placement agent (the "Placement Agent Warrants") to purchase shares of Common Stock. The Company issued an aggregate of 109,176 Placement Agent Warrants in November and December 2011 valued at \$212,040. The Placement Agent Warrants were valued based on the Black-Scholes Model with assumptions similar to those used to value the Warrants issued to the purchasers of Notes in the Offering. The Placement Agent Warrants have similar terms to those issued to the convertible debt holders, including a reset provision included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants. The Placement Agent Warrants, similar to the Warrants issued to the purchasers of Notes in the Offering, do not meet the definition of being indexed to the Company's own stock in accordance with ASC 815-40. Accordingly, the Company has recorded a derivative liability for the value of the Placement Agent Warrants. The derivative liability valued at \$212,040 upon the Placement Agent Warrants grant, was revalued at \$255,735 at September 30, 2012. The valuation at September 30, 2012 was valued based on the Black-Scholes Model with assumptions similar to those used to value the Warrants granted to the debt holders as of September 30, 2012. The difference in valuation for the year ended September 30, 2012 was \$43,695, accounted for as a loss on fair value of derivative.

Private Placement Offering – June/July 2012

On June 14, 2012, the Company issued to subscribers 6% convertible promissory notes due on June 14, 2017 ("2012 Notes") in the aggregate principal amount of \$5.0 million and warrants to purchase 1.0 million shares of Common Stock ("2012 Warrants") of the Company in the first of two (2) closings of a private placement (the "2012 Offering") for which the Company received aggregate gross cash proceeds of \$5.0 million. For each \$100,000 invested, a subscriber was issued a \$100,000 principal amount 2012 Note and 2012 Warrants to purchase 20,000 shares of the Company's Common Stock.

As part of the 2012 Offering, on July 13, 2012, we issued to subscribers 2012 Notes in the aggregate principal amount of approximately \$1.2 million and 2012 Warrants to purchase approximately 240,000 shares of Common Stock for which the Company received cash proceeds of approximately \$1.2 million.

The 2012 Notes are convertible into Common Stock at \$5.00 per share, subject to weighted average adjustment for issuances of common stock or common stock equivalents below the conversion price, subject to certain exceptions. Additionally, the conversion price may not be adjusted below \$0.25.

Interest accrues on the 2012 Notes at 6% per annum. Interest is payable quarterly, commencing on June 30, 2012. At the Company's option, interest may be payable in: (i) cash or (ii) shares of the Common Stock. If the Company elects to pay interest in shares of its Common Stock on an interest payment date, the number of shares issuable will be equal to the quotient obtained by dividing the amount of accrued and unpaid interest payable on such interest payment date by the lesser of: (i) the conversion price, and (ii) the average of the last sale price of the Common Stock during the ten (10) consecutive trading days ending on the fifth (5th) trading day immediately preceding such interest payment date (the "Average Price"), if the average daily trading volume (the "ADTV") of the Common Stock for the ten (10) trading days prior to the interest payment date is less than \$100,000 per day, provided, however if the ADTV is equal to or greater than \$100,000, it will be the Average Price, and not the conversion price.

The outstanding principal amount of the 2012 Notes and accrued and unpaid interest thereon will automatically convert into a number of shares of Common Stock determined by dividing the outstanding principal amount of the 2012 Notes plus accrued and unpaid interest thereon, by the

conversion price in effect on the mandatory conversion date. The mandatory conversion date is the date on which (i) the last sale price of the Common Stock on 20 of the 30 immediately preceding trading days equals or exceeds 200% of the conversion price; (ii) the shares issuable upon conversion of the 2012 Notes are eligible for resale under an effective registration statement and/or Rule 144 promulgated under the Securities Act of 1933, as amended, without restriction as to volume or manner of sale, and (iii) the ADTV during such 30 trading day period equals or exceeds \$500,000.

If an event of default as defined in the 2012 Notes exists, the holder may declare the entire principal of, and all interest accrued and unpaid on, the 2012 Notes then outstanding to be due and payable.

The Company also entered into a registration rights agreement with the subscribers. Pursuant to the registration rights agreement, the Company agreed to file a registration statement within 90 days after the final closing date of the Offering which occurred on July 13, 2012 (the "Closing Date") to register for resale the shares of Common Stock issuable upon conversion of the 2012 Notes and exercise of the 2012 Warrants and 2012 Placement Agent Warrants defined below (collectively, the "Registrable Shares"). In the event that the SEC limits the number of Registrable Shares that may be included in the registration statement, the Company shall include only those Registrable Shares permitted by the SEC and shall file additional registration statements at the earliest practical date as the Company is permitted to do so in accordance with SEC guidelines. The registration statement was timely filed and declared effective by the SEC. The Company shall use its best efforts to cause any additional registration statements to be declared effective within 90 days of the required filing date.

In the event that a registration statement is not filed or declared effective by the SEC by the applicable deadline, the Company will pay to the holders of Registrable Shares an amount equal to 1% of the original principal amount of the investor's 2012 Note, multiplied by a fraction with the numerator equal to the number of Registrable Shares that were required to be included in the Registration Statement which is not so filed, declared effective or maintained and otherwise are unsold at the time of such failure and the denominator equal to the sum of the total number of shares issued or issuable to the Investor upon conversion of the 2012 Notes and exercise of the 2012 Warrants purchased pursuant to the subscription agreement and owned by such holder.

The Company has valued the 2012 Warrants and the beneficial conversion features ("BCF") of the 2012 Notes, to their maximum value in proportion to the notes and had accounted for them as a discount to the debt. In certain circumstances the convertibility features and the 2012 Warrants contain reset provisions which adjust the conversion price and the exercise price of the warrants should the Company sell additional shares of common stock below the initial conversion price of the 2012 Notes or 2012 Warrant exercise price as agreed to upon entry into the convertible notes payable. The Company has determined that the 2012 Notes are a derivative instrument due to the reset provision contained within the notes. A derivative liability was not recorded when the 2012 Offering was entered into as the value of the such a derivative was immaterial due to the Company's limited history with adjusting instruments from previous fundraisings that have similar reset provisions. If the 2012 Notes' reset provision should be triggered, a reassessment of recording a derivative will be made at such time.

The Company valued the 2012 Warrants and the BCF at \$1,956,517 each for a total of \$3,913,034 recorded as a discount to the convertible debt. This discount will be amortized over the life of the 2012 Notes or until such time as the 2012 Notes are repaid or converted, or upon exercise of the 2012 Warrants. The valuation of the 2012 Warrants and BCF were determined using the Black-Scholes option pricing model with the following weighted assumptions for all debt issuances: i) expected dividend rate of 0% ii) expected volatility of 53.43% iii) risk free interest rate of 0.9% and expected term of 5 years. During the year ended September 30, 2012, the Company has amortized \$219,708 of the of debt discount.

In connection with the 2012 Offering, the Company paid a placement agent and another registered broker-dealer cash fees of approximately \$351,000 in the aggregate. The Company issued to the placement agent warrants (the "2012 Placement Agent Warrants") to purchase an

aggregate of 54,800 shares of Common Stock, which expire on June 14, 2017. The 2012 Placement Agent Warrants contain substantially the same terms as those issued to subscribers.

	Principal As of		Maturity Date	Interest Rate	Secured
	9/30/2012	9/30/2011			
Current Debt- Third Party:					
Loan Payable- Third Party	\$ 80,538	\$ 80,538	Upon Demand	10%	No
Lease Payable- Bank (current portion)	7,869	30,242	12/31/2012	6.45%	Yes
Total Current Debt- Third Party	\$ 88,407	\$ 110,780			
Long-Term Debt – Third Party:					
Convertible Notes – 2011 Offering	3,665,763	-	11/1/2016	6%	No
Convertible Notes – 2011 Offering	1,250,000	-	11/18/2016	6%	No
Convertible Notes – 2011 Offering	925,000	-	12/9/2016	6%	No
Convertible Notes – 2012 Offering	4,065,000	-	6/14/2017	6%	No
Promissory Notes – Line of Credit	-	1,500,000	11/1/2016 (1)	6%	No
Line of Credit - Bank	-	1,000,000	11/1/2016 (1)	6%	No
Promissory Note – Bank	-	300,000	11/1/2016 (1)	6%	No
Lease Payable- Bank	-	7,869	12/31/2012	6.45%	Yes
Discount on Convertible Notes	(7,899,942)	-			
Amortization of Discount	1,090,794	-			
Total Long-Term Debt – Third Party	\$ 3,096,615	\$2,807,869			
Long-Term Debt- Related Party:					
Convertible Notes – 2011 Offering	\$ 5,683,757	\$ -	11/1/2016	6%	No
Convertible Notes – 2011 Offering	100,000	-	11/18/2016	6%	No
Convertible Notes – 2012 Offering	2,135,000	-	6/14/2017	6%	No
Loan Payable- Related Party	-	273,000	11/1/2016 (1)	6%	No
Loan Payable- Related Party	-	273,000	11/1/2016 (1)	6%	No
Loan Payable – Related Party	-	220,763	11/1/2016 (1)	6%	No
Loan Payable – Related Party	-	133,571	11/1/2016 (1)	6%	No
Loan Payable – Related Party	-	775,000	11/1/2016 (1)	6%	No
Promissory Notes – Line of Credit	-	1,750,000	11/1/2016 (1)	6%	No
Discount on Convertible Notes	(6,632,974)	-			

Amortization of Discount	1,046,408	-
Total Long-Term Debt-Related Party	\$ 2,332,191	\$3,425,334

This debt was reclassified from current to long-term pursuant to ASC 470-10-45-14. On (1) November 1, 2011, as part of the Offering, this debt was refinanced through the issuance of long-term notes.

Capital lease payable to bank*	2012	2011
Secured by equipment	\$ 7,869	\$ 38,111
Less: current maturities	(7,869)	(30,242)
Total long-term debt	\$ -	\$ 7,869

**payable in monthly installments of \$2, 651 including interest at 6.448% due December 1, 2012*

**CONCENTRATION OF
RISK (Details Textual)**

**12 Months Ended
Sep. 30, 2012**

Entity Wide Purchases Major Customers Percentage 5.00%

**ACCOUNTS PAYABLE
AND ACCRUED
LIABILITIES**

**12 Months Ended
Sep. 30, 2012**

[Accounts Payable and Accrued Liabilities](#)

[\[Abstract\]](#)

[Accounts Payable and Accrued Liabilities](#)

[Disclosure \[Text Block\]](#)

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

Accounts payable and accrued liabilities at September 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Accounts payable – trade	\$1,142,672	\$1,340,114
Accrued interest	20,887	105,721
Accrued warranty expense	372,940	-
Accrued payroll	191,492	122,715
Other accrued expenses	160,933	66,803
Total	<u>\$1,888,924</u>	<u>\$1,635,353</u>

INCOME TAXES

**12 Months Ended
Sep. 30, 2012**

[Income Tax Disclosure](#)

[\[Abstract\]](#)

[Income Tax Disclosure \[Text Block\]](#)

NOTE 8 – INCOME TAXES

The tax expense (benefit) for the years ended September 30, 2012 and 2011 consists of the following components:

	<u>2012</u>	<u>2011</u>
Current:		
Federal	\$ -	\$ -
State	2,055	25,149
	<u>2,055</u>	<u>25,149</u>
Deferred:		
Federal	-	-
State	-	-
	<u>-</u>	<u>-</u>
Total	<u>\$2,055</u>	<u>\$25,149</u>

The income tax benefit for the year does not bear the expected relationship between pretax loss and the Federal corporate income tax rate of 34% because of the direct effect of state and local income taxes.

The reconciliation between the actual and expected federal tax is as follows:

	<u>2012</u>	<u>2011</u>
Federal corporate tax rate of 34% and applicable AMT applied to pretax loss	\$ -	\$ -
State and local taxes, net of federal benefit	2,055	25,149
Total tax expense (benefit)	<u>\$ 2,055</u>	<u>\$ 25,149</u>

Deferred income taxes consist of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Deferred tax assets	\$ 7,678,000	\$ 4,590,000
Deferred tax liabilities	-	-
Valuation allowance	(7,678,000)	(4,590,000)
Total	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2012, the Company had net operating losses ("NOLs") of approximately \$22,583,000. These amounts are available to be carried forward to offset future taxable income. The carry forwards begin to expire during the year ended September 30, 2027. The Company has provided a full 100% valuation allowance on the deferred tax assets at September 30, 2012 and 2011 to reduce such deferred income tax assets to zero as it is management's belief that realization of such amounts do not meet the criteria required by generally accepted accounting principles. Management will review the valuation allowance required periodically and make adjustments if warranted.

Under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the utilization of net operating loss carry forwards is limited under the change in stock ownership rules of the Code. The Company's operating loss carry forwards are subject to these limitations.

Future ownership changes could also further limit the utilization of any net operating loss carry forwards as of that date.

EQUITY

12 Months Ended
Sep. 30, 2012

[Stockholders Equity Note](#)
[\[Abstract\]](#)

[Stockholders' Equity Note](#)
[Disclosure \[Text Block\]](#)

NOTE 10 - EQUITY

Preferred Stock:

The Company is authorized to issue 1,000,000 shares of preferred stock, with a par value of \$0.01 per share. As of September 30, 2012 and 2011, there were no shares of preferred stock issued and outstanding.

Common Stock:

On March 2, 2012, the Company issued 25,484 shares of common stock in lieu of a cash payment of \$108,229 of interest for the quarter ended December 31, 2011. Pursuant to the terms of the Notes, these shares of stock were issued at \$4.25 per share.

On March 31, 2012, the Company issued 40,925 shares of common stock in lieu of a cash payment of \$173,890 of interest for the quarter ended March 31, 2012. Pursuant to the terms of the Notes, these shares of stock were issued at \$4.25 per share.

On April 11, 2012, the Company issued 11,765 shares of common stock to Dave Koch, our COO, pursuant to his employment agreement as payment for services provided. These shares of stock were issued at \$4.25 per share and the Company recorded an expense of \$50,001 related to this issuance.

On June 30, 2012, the Company issued 40,925 shares of common stock in lieu of a cash payment of \$173,890 of interest for the quarter ended June 30, 2012. Pursuant to the terms of the Notes, these shares of stock were issued at \$4.25 per share.

On June 30, 2012, the Company issued 2,795 shares of common stock in lieu of a cash payment of \$13,151 of interest for the quarter ended June 30, 2012. Pursuant to the terms of the 2012 Notes, these shares of stock were issued at \$4.73 per share.

On September 30, 2012, the Company issued 46,272 shares of common stock in lieu of a cash payment of \$175,801 of interest for the quarter ended September 30, 2012. Pursuant to the terms of the Notes, these shares of stock were issued at \$3.80 per share.

On September 30, 2012, the Company issued 24,008 shares of common stock in lieu of a cash payment of \$91,200 of interest for the quarter ended September 30, 2012. Pursuant to the terms of the 2012 Notes, these shares of stock were issued at \$3.80 per share.

At September 30, 2012, the Company reserved shares of common stock for issuance upon exercise as follows:

Options	641,385
Warrants	8,767,225
Convertible Notes	3,975,206
Total Shares Reserved	<u>13,383,816</u>

Options:

The Company recorded \$0 and \$1,249,997 of compensation expense, net of related tax effects, for the options that were granted that vested during the twelve months ended September 30, 2012 and 2011, respectively, in accordance with ASC 718-10-25.

As of September 30, 2012, there was approximately \$16,863 of total unrecognized costs related to unvested stock options granted to employees from fiscal year 2008 through 2010. These costs are expected to be recognized over the next fiscal year.

The volatility assumption for the period was based on the weighted average for the most recent year and long term volatility measures of our stock as well as certain of our peers. Although stock-based compensation expense, recognized in the accompanying consolidated statement of operations for the twelve months ended September 30, 2012 and 2011, is based on awards ultimately expected to vest, it has been reduced for

estimated forfeitures. ASC 718-10-25 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Currently the Company has no historical data to use for estimating forfeitures.

The following table summarizes option activity for the years ended September 30, 2012 and 2011:

	Options	Weighted Average Exercise Price
Outstanding as of September 30, 2010	441,385	\$ 4.73
Granted	250,000	5.00
Exercised	-	-
Forfeitures	(50,000)	(5.00)
Outstanding as of September 30, 2011	641,385	4.82
Granted	-	-
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2012	641,385	\$ 4.82

The following table summarizes information about stock options outstanding and exercisable as of September 30, 2012 and 2011:

Period	Range of Exercise Price	Number Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price Exercisable Options	Weighted Average Remaining Life in Years Exercisable Options
9/30/ 2012	\$2.00-18.00	641,385	6.54	\$ 4.82	635,135	\$ 4.84	6.59
9/30/ 2011	\$2.00-18.00	641,385	7.55	\$ 4.82	597,635	\$ 5.02	7.89

Warrants:

On October 1, 2010, the Company entered into an amended and restated employment agreement with our Chief Executive Officer, Mark Patterson. The amended agreement provides for a base salary of \$200,000 per year and provides for a grant of an aggregate of 1,080,000 five-year warrants with an exercise price of \$5.00 per share that vest and become exercisable as follows: (i) 270,000 on October 1, 2010, (ii) 210,000 on each of February 1, August 1, 2011 and February 1, 2012, and (iii) 180,000 on August 1, 2012. The amended agreement provides Mr. Patterson with a right of first refusal, pursuant to which Mr. Patterson has the right, but not the obligation, to maintain his then pro rata share of the Company's issued and outstanding shares and warrants by purchasing additional shares and warrants each time the Company offers shares and/or warrants for sale. The Company has valued and expensed a total of 390,000 vested warrants at \$786,296 during the year ended September 30, 2012, based on the Black-Scholes Model.

Pursuant to the Offering described in Note 9, in November and December 2011, we issued warrants to Subscribers to purchase an aggregate of approximately 2,736,000 shares of Common Stock of the Company.

The Warrants are exercisable for a period of five years from the respective date of issuance at \$4.25 per share, subject to weighted average adjustment for issuance below the exercise price, subject to certain exceptions. Cashless exercise is permitted if the average trading volume of the Company's Common Stock during at least five (5) of the ten (10) consecutive trading days immediately preceding the date of the notice of exercise is at least 10,000 shares, and will be based upon the average of the last sale price of the Common Stock during the five (5) consecutive trading days prior to the notice of exercise. In certain instances, a holder shall not be permitted to exercise the warrant if such exercise would result in such holder's total ownership of the Company's Common Stock exceeding 4.9%. The Placement Agent Warrants expire five years from the respective date of issuance and contain substantially the same terms as those issued to Subscribers.

These warrants do not meet the definition of being indexed to the Company's own stock in accordance with ASC 815-40, accordingly the Company has recorded a derivative liability for the value of the Warrants. The aggregate derivative liability valued at \$5,309,941 upon the issuances of the Warrants, was revalued at \$6,406,964 at September 30, 2012. The difference in valuation was \$1,097,023 accounted for as a loss on fair value of derivative.

When the Warrants were issued, the fair value of each warrant granted was estimated on the date of grant using the Black-Scholes valuation model. The following weighted assumptions were used: (i) risk free interest rate of 0.9%, (ii) expected life of five years, (iii) dividend rate of 0.00% and (iv) expected volatility of 52.7%.

In connection with the Offering, we issued an aggregate of 109,176 Placement Agent Warrants in November and December 2011. We valued and expensed these warrants at \$212,040 during the fiscal year ended September 30, 2012, based on the Black-Scholes Model. These warrants have similar terms to the Warrants, including a reset provision included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants. These warrants, similar to those of given to the convertible debt holders, do not meet the definition of being indexed to the Company's own stock in accordance with ASC 815-40, accordingly the Company has recorded a derivative liability for the value of these warrants. The aggregate derivative liability valued at \$212,040 upon the issuances of the warrants, was revalued at \$255,735 at September 30, 2012. The difference in valuation was \$43,695 accounted for as a loss on fair value of derivative.

We issued an aggregate of 16,059 warrants to consultants for investor relations services related to the Offering. We have valued and expensed these warrants at approximately \$27,000 during the fiscal year ended September 30, 2012, based on the Black-Scholes Model. These warrants have similar terms to the Warrants, including a reset provision, in no event lower than \$0.25, included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants.

Pursuant to the 2012 Offering described in Note 9, in June and July 2012, we issued 2012 Warrants to subscribers to purchase an aggregate of 1,240,000 shares of Common Stock of the Company.

The 2012 Warrants are exercisable at \$5.00 per share, subject to weighted average adjustment for issuance below the exercise price, subject to certain exceptions. Additionally, the Exercise Price may not be adjusted below \$0.25. Cashless exercise is permitted if the average trading volume of the Company's Common Stock during at least five (5) of the ten (10) consecutive trading days immediately preceding the date of the notice of exercise is at least 10,000 shares, and will be based upon the average of the last sale price of the Common Stock during the five (5) consecutive trading days prior to the notice of exercise. In certain instances, a holder shall not be permitted to exercise the 2012 Warrants if such exercise would result in such holder's total ownership of the Company's Common Stock exceeding 4.9%. The 2012 Warrants expire on June 14, 2017.

When the 2012 Warrants were issued, the fair value of each warrant granted was estimated on the date of grant using the Black-Scholes valuation model. The following weighted assumptions were used: (i) risk free interest rate of 0.9%, (ii) expected life of five years, (iii) dividend rate of 0.00% and (iv) expected volatility of 53.2%.

In connection with the 2012 Offering, we issued 2012 Placement Agent Warrants to purchase an aggregate of 54,800 shares of Common Stock in June and July 2012. We valued and expensed these warrants at approximately \$126,000 based on the Black-Scholes Model. These warrants have similar terms to the 2012 Warrants, including a reset provision, in no event lower than \$0.25, included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants.

We issued an aggregate of 13,800 warrants to consultants for investor relations services related to the 2012 Offering. We have valued and expensed these warrants at approximately \$31,000 during the fiscal year ended September 30, 2012, based on the Black-Scholes Model. These warrants have similar terms to the 2012 Warrants, including a reset provision, in no event lower than \$0.25, included with the warrants if the Company should obtain equity financing at a price per share lower than that of the exercise price of the warrants.

On September 30, 2012, we issued 12,000 warrants to a consultant for compensation related services. We have valued and expensed these warrants at approximately \$27,400 during the fiscal year ended September 30, 2012, based on the Black-Scholes Model. The following weighted assumptions were used: (i) risk free interest rate of 0.9%, (ii) expected life of five years, (iii) dividend rate of 0.00% and (iv) expected volatility of 53.2%. These warrants expire on August 31, 2017.

The following table summarizes warrant activity for the years ended September 30, 2012 and 2011:

	Warrants	Weighted Average Exercise Price
Outstanding as of September 30, 2010	2,458,252	\$ 8.41
Granted	1,737,932	5.39
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2011	4,196,184	7.69

Granted	4,571,041	4.53
Exercised	-	-
Forfeitures	-	-
Outstanding as of September 30, 2012	<u>8,767,225</u>	<u>\$ 5.92</u>

The following table summarizes information about warrants outstanding and exercisable as of September 30, 2012 and 2011:

Period	Range of Exercise Price	Number Outstanding	Weighted Average Remaining Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price Exercisable Warrants	Weighted Average Remaining Life in Years Exercisable Warrants
9/30/2012	\$2.00-25.00	8,767,225	3.65	\$ 5.92	8,767,225	\$ 5.92	3.65
9/30/2011	\$2.00-25.00	4,196,184	3.91	\$ 7.69	4,196,184	\$ 7.69	3.91

ORGANIZATION AND NATURE OF OPERATIONS (Details Textual) (USD \$)	1 Months Ended			
	Jun. 30, 2011	Sep. 30, 2012	Sep. 30, 2011	Jun. 20, 2011
Stockholders' Equity, Reverse Stock Split	On June 20, 2011, an amendment to the Company's Certificate of Incorporation was filed, effecting a one-for-twenty reverse split			
Common stock, par value (in dollars per share)		\$ 0.001	\$ 0.001	\$ 0.001
Common stock, shares authorized		400,000,000	400,000,000	400,000,000

EQUITY (Details)	Sep. 30, 2012
<u>Total Shares Reserved</u>	13,383,816
Convertible Notes Payable [Member]	
<u>Total Shares Reserved</u>	3,975,206
Stock Option [Member]	
<u>Total Shares Reserved</u>	641,385
Warrant [Member]	
<u>Total Shares Reserved</u>	8,767,225

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Policies)**

12 Months Ended

Sep. 30, 2012

[Accounting Policies](#)

[\[Abstract\]](#)

[Consolidation, Policy \[Policy Text Block\]](#)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Boomerang Systems, Inc. and the accounts of all majority-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

[Research and Development Expense, Policy \[Policy Text Block\]](#)

Research and Development

Pursuant to ASC 730, *Research and Development*, research and development costs are expensed as incurred. Research and development costs for the years ended September 30, 2012 and 2011 were \$1,557,898 and \$2,202,020, respectively.

[Earnings Per Share, Policy \[Policy Text Block\]](#)

Earnings Per Common Share

We adopted ASC 260. The statement established standards for computing and presenting earnings per share ("EPS"). It replaced the presentation of primary EPS with a basic EPS and also requires dual presentation of basic and diluted EPS on the face of the income statement. Basic income/(loss) per share was computed by dividing our net income/(loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common shares used to calculate basic and diluted income/(loss) per common share for the years ended September 30, 2012 and September 30, 2011 was 7,329,410 and 7,117,078, respectively. The Company's common stock equivalents, of outstanding options, warrants and convertible notes, have not been included as to include them would be anti-dilutive. As of September 30, 2012 and 2011, there were fully vested options outstanding for the purchase of 635,135 and 597,165 common shares, warrants for the purchase of 9,408,610 and 4,196,184 common shares, and notes convertible into 3,975,206 and 0 common shares, respectively, all of which could potentially dilute future earnings per share.

[Revenue Recognition, Policy \[Policy Text Block\]](#)

Revenue Recognition

Revenues from the sales of RoboticValet and rack and rail systems are recognized using the percentage of completion method, whereby revenue and the related gross profit is determined by comparing the actual costs incurred to date for the project to the total estimated project costs at completion.

Project costs generally include all material and shipping costs, our direct labor, subcontractor costs and an allocation of indirect costs related to the direct labor. Changes in the project scope, site conditions, staff performance and delays or problems with the equipment used on the project can result in increased costs that may not be billable or accepted by the customer and a loss or lower profit from what was originally anticipated at the time of the proposal.

Estimates for the costs to complete the project are periodically updated by management during the performance of the project. Provisions for changes in estimated costs and losses, if any, on uncompleted projects are made in the period in which such losses are determined.

When the current estimate of total contract costs exceeds the current estimate of total contract revenues, a provision for the entire loss on the contract is made. Losses are recognized in the period in which they become evident under the percentage-of-completion method. The loss is computed on the basis of the total estimated costs to complete the contract, including the contract costs incurred to date plus the estimated costs to complete. As of September 30, 2012, it was estimated that the gross loss on current contracts would be \$3,998,970. This loss is comprised of \$3,496,341 recognized through the percentage of completion method for the year ended September 30, 2012, and \$502,629 as a provision for the remaining loss on contracts.

Revenues of \$1,145,294 and \$1,591,948 have been recognized for the years ended September 30, 2012 and 2011, respectively.

The Company may have service contracts in the future after the contract warranty period is expired, which are separate and distinct agreements from project agreements and will be billed according to the terms of the contract.

[Warranty Reserves \[Policy Text Block\]](#)

Warranty Reserves

The Company provides warranty coverage on its products for a specified time as stipulated in its sales contracts. As revenues for contracts are recognized, the Company will record a warranty reserve for estimated costs in connection with future warranty claims associated with those contracts. The amount of warranty reserve is based primarily on the estimated number of products under warranty and historical costs to service warranty claims. Management periodically assesses the adequacy of the reserves based on these factors and adjusts the reserve accordingly. The Company has incurred warranty expense of \$377,619 and \$0 in fiscal years 2012 and 2011, respectively, relating to its existing projects.

Cash and Equivalents

[Cash and Cash Equivalents, Policy \[Policy Text Block\]](#)

For purposes of the statement of cash flows, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

[Trade and Other Accounts Receivable, Policy \[Policy Text Block\]](#)

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts reflects our best estimate of probable credit losses inherent in our existing accounts receivable balance. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We determine this allowance based on known troubled accounts, history and other currently available evidence. Accordingly, we have recorded an allowance for doubtful accounts of \$155,781 and \$0 at September 30, 2012 and 2011, respectively.

Investment at Equity

[Equity Method Investments, Policy \[Policy Text Block\]](#)

The Company accounts for the equity investment using the equity method unless its value has been determined to be other than temporarily impaired, in which case we write the investment down to its impaired value. The Company reviews this investment periodically for impairment and makes appropriate reductions in carrying value when other-than-temporary decline is evident; however, for non-marketable equity securities, the impairment analysis requires significant judgment. During its review, the Company evaluates the financial condition of the issuer, market conditions, and other factors providing an indication of the fair value of the investment. Adverse changes in market conditions or operating results of the issuer that differ from expectation could result in additional other-than-temporary losses in future periods.

[Inventory, Policy \[Policy Text Block\]](#)

Inventory

Inventory is stated at the lower of cost or market using the weighted average cost method. Inventory includes materials, parts, assemblies and work in process. The Company records an inventory reserve for the anticipated loss associated with slow moving, obsolete and/or damaged inventory.

Property, Plant and Equipment

[Property, Plant and Equipment, Policy \[Policy Text Block\]](#)

Property, plant and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Costs of major additions and betterments are capitalized. Depreciation is calculated on the straight-line method over the estimated useful lives which range from three years to fifteen years. Depreciation and amortization for the years ended September 30, 2012 and September 30, 2011 was \$297,961 and \$52,006, respectively.

Income Taxes

[Income Tax, Policy \[Policy Text Block\]](#)

We account for income taxes under ASC 740-10. ASC 740-10 requires an asset and liability approach for financial reporting for income taxes. Under ASC 740-10, deferred taxes are

provided for temporary differences between the carrying values of assets and liabilities for financial reporting and tax purposes at the enacted rates at which these differences are expected to reverse. The Company and its subsidiaries file a consolidated Federal income tax return and separate state returns in New Jersey and Utah. For Federal and State tax purposes, the tax years 2008 through 2011 remain open to examination.

Use of Estimates

[Use of Estimates, Policy](#) [\[Policy Text Block\]](#)

Management of the Company has made estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Estimates are used in accounting for, among other items, allowance for doubtful accounts, inventory obsolescence, warranty expense, income taxes and percentage of completion contracts. Actual results could differ from these estimates.

Impairment of Long-Lived Assets

[Impairment or Disposal of Long-Lived Assets, Policy](#) [\[Policy Text Block\]](#)

We review the long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine if impairment exists, we compare the estimated future undiscounted cash flows from the related long-lived assets to the net carrying amount of such assets. Once it has been determined that an impairment exists, the carrying value of the asset is adjusted to the fair value. Factors considered in the determination of the fair value include current operating results, trends and the present value of estimated expected future cash flows. No impairment charges were recorded in fiscal year 2012 or 2011.

Derivative liability

[Derivative Liability \[Policy Text Block\]](#)

The Company accounts for reset provisions in connection with their issuance of debt, and reset provisions of equity instruments attached to their debt, in accordance with Emerging Issues Task Force (“EITF”) Consensus No. 07-5 “Determining Whether an Instrument (or Embedded Feature) is indexed to an Entity’s Own Stock” (EITF 07-5”). Under EITF 07-5, instruments which contain full ratchet anti-dilution provisions are no longer considered indexed to a company’s own stock for purposes of determining whether it meets the first part of the scope exception in paragraph 11 (a) of FASB 133 “Accounting for Derivative Instruments and Hedging Activities”, now promulgated in ASC 815, “Derivative and Hedging”. Under ASC 815 the Company is required to (1) evaluate an instrument’s contingent exercise provisions and (2) evaluate the instrument’s settlement provisions.

Fair Value Measurements

[Fair Value Measurement, Policy](#) [\[Policy Text Block\]](#)

As defined in FASB ASC Topic 820 – 10, “Fair Value Measurements and Disclosures,” fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 – 10 requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurements be classified and disclosed in one of the following categories:

- | | |
|----------|--|
| Level 1: | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis. |
| Level 2: | Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that the Company values using observable market data. Substantially all of these inputs are observable in the marketplace throughout the term of the derivative instruments, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace. |

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e. supported by little or no market activity). The Company's valuation models are primarily industry standard models. Level 3 instruments include derivative warrant instruments. The Company does not have sufficient corroborating evidence to support classifying these assets and liabilities as Level 1 or Level 2.

As required by FASB ASC Topic 820 – 10, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The estimated fair value of the derivative liability was calculated using the Black-Scholes option pricing model. The Company uses Level 3 inputs to value its derivative liabilities. The following table provides a reconciliation of the beginning and ending balances for the major classes of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) and reflects gains and losses for the years ended September 30, 2012 and 2011 for all financial assets and liabilities categorized as Level 3 as of September 30, 2012.

	2012	2011
Liabilities:		
Balance of derivative liabilities – beginning of year	\$ -	\$ -
Initial recording of derivative liability	10,831,922	-
Change in fair value of derivative liabilities	2,237,741	-
Balance of derivative liabilities - end of year	\$13,069,663	\$ -

The Company incurred the derivative liability set forth on the September 30, 2012 balance sheet in connection with the Offering (see Note 9).

Advertising Expense

Advertising costs amounted to \$164,620 and \$242,717 for the years ended September 30, 2012 and 2011, respectively, and are included in Sales and Marketing. Advertising costs are expensed as incurred.

Stock-Based Compensation

The analysis and computation was performed based on our adoption of ASC 718-10-25, which requires the recognition of the fair value of stock-based compensation. For the fiscal years ended September 30, 2012 and 2011, we conducted an outside independent analysis and our own review, and based on the results, we recognized \$522,987 and \$723,637 in share-based payments related to non-vested stock options that were issued from fiscal year 2008 through 2010, and \$0 and \$1,249,997 for fully vested options issued during the year ended September 30, 2012 and 2011, respectively. We recognized \$1,209,806 and \$4,227,406 for the issuance of warrants, of which \$786,296 and \$4,202,406 were for warrants issued to the Chief Executive Officer of the Company in connection with his employment agreement and \$423,510 and \$25,000 were for issuances of warrants to consultants for services during the year ended September 30, 2012 and 2011, respectively. We also recognized \$50,001 and \$0 for the issuance of common stock for services during the year ended September 30, 2012 and 2011.

Reclassification

Certain fiscal year ended September 30, 2011 items have been reclassified to conform with the fiscal year ended September 30, 2012 presentation.

Recent Accounting Pronouncements

[Advertising Costs, Policy](#)
[\[Policy Text Block\]](#)

[Share-based Compensation,](#)
[Option and Incentive Plans](#)
[Policy \[Policy Text Block\]](#)

[Reclassification, Policy](#)
[\[Policy Text Block\]](#)

[New Accounting](#)
[Pronouncements, Policy](#)
[\[Policy Text Block\]](#)

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." The amendments in this ASU are effective during interim and annual periods beginning after December 15, 2011. The adoption of this ASU is not expected to have a material impact on the consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the consolidated financial statements of the Company.

**COSTS IN EXCESS OF
BILLINGS/BILLINGS IN
EXCESS OF COSTS
(Tables)**

12 Months Ended

Sep. 30, 2012

[Contractors \[Abstract\]](#)

[Uncompleted Contract One \[Table Text Block\]](#)

Information with respect to uncompleted contracts at September 30, 2012 and 2011 are as follows:

Costs in excess of billings:	2012	2011
Earnings on billings to date	\$ 2,059,919	\$ 2,105,478
Less: Billings	(1,584,265)	(1,584,265)
Total costs in excess of billings	<u>\$ 475,654</u>	<u>\$ 521,213</u>

[Uncompleted Contract Two \[Table Text Block\]](#)

Billings in excess of costs:	2012	2011
Earnings on billings to date	\$ 1,190,853	\$ -
Less: Billings	(1,196,000)	-
Total (billings in excess of costs)	<u>\$ (5,147)</u>	<u>\$ -</u>

DEBT (Details 1) (USD \$)	Sep. 30, 2012	Sep. 30, 2011
<u>Less: current maturities</u>	\$ 88,407	\$ 110,780
<u>Total long-term debt</u>	3,096,615	2,807,869
Secured Lease Payable Bank [Member]		
<u>Secured by equipment</u>	7,869	[1] 38,111 [1]
<u>Less: current maturities</u>	(7,869)	[1] (30,242) [1]
<u>Total long-term debt</u>	\$ 0	[1] \$ 7,869 [1]

[1]payable in monthly installments of \$2, 651 including interest at 6.448% due December 1, 2012.

**COSTS IN EXCESS OF
BILLINGS/BILLINGS IN
EXCESS OF COSTS**

Sep. 30, 2012 Sep. 30, 2011

(Details) (USD \$)

<u>Earnings on billings to date</u>	\$ 2,059,919	\$ 2,105,478
<u>Less: Billings</u>	(1,584,265)	(1,584,265)
<u>Total costs in excess of billings</u>	\$ 475,654	\$ 521,213

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (USD \$)	Common Stock [Member]	Preferred Stock [Member]	Additional Paid- In Capital [Member]	Retained Earnings [Member]	Total
Balance at Sep. 30, 2010	\$ 7,021	\$ 0	\$ 37,053,920	\$ (33,710,494)	\$ 3,350,447
Balance (in shares) at Sep. 30, 2010	7,021,404	0			
Options for Services			723,637		723,637
Issuance Of Options - Officers			1,249,997		1,249,997
Issuance of Warrants - Consultant			25,000		25,000
Issuance Of Warrants - Officer			4,202,406		4,202,406
Issuance of Warrants - Line of Credit			974,985		974,985
Issuance of Warrants - Line of Credit Draw			2,924,881		2,924,881
Issuance of Common Stock - Conversion of Debt	80		397,932		398,012
Issuance of Common Stock - Conversion of Debt (in shares)	79,602				
Issuance of Common Stock - November 2010 Private Placement	33		199,966		199,999
Issuance of Common Stock - November 2010 Private Placement (in shares)	33,329				
Issuance of Common Stock - February 2011 Private Placement	143		999,857		1,000,000
Issuance of Common Stock - February 2011 Private Placement (in shares)	142,857				
Net loss				(19,102,004)	(19,102,004)
Balance at Sep. 30, 2011	7,277	0	48,752,581	(52,812,498)	(4,052,640)
Balance (in shares) at Sep. 30, 2011	7,277,192	0			
Options for Services			522,987		522,987
Issuance Of Warrants - Officer			786,296		786,296
Issuance of Warrants for services			211,470		211,470
Issuance of Common Stock for Interest - 2011 Notes	25		108,204		108,229
Issuance of Common Stock for Interest - 2011 Notes (in shares)	25,484				
Issuance of Common Stock for Interest - 2011 Notes	41		173,849		173,890
Issuance of Common Stock for Interest - 2011 Notes (in shares)	40,925				
Issuance of Common Stock for Interest - 2011 Notes	41		173,849		173,890

Issuance of Common Stock for Interest - 2011 Notes (in shares)	40,925				
Issuance of Common Stock for Interest - 2011 Notes	46		175,755		175,801
Issuance of Common Stock for Interest - 2011 Notes (in shares)	46,272				
Issuance of Common Stock for Interest - 2012 Notes	3		13,148		13,151
Issuance of Common Stock for Interest - 2012 Notes (in shares)	2,795				
Issuance of Common Stock for Interest - 2012 Notes	24		91,176		91,200
Issuance of Common Stock for Interest - 2012 Notes (in shares)	24,008				
Issuance Of Common Stock - Officer	12		49,989		50,001
Issuance Of Common Stock - Officer (In Shares)	11,765				
Issuance of Convertible Notes & Warrants - June/July 2012			3,913,034		3,913,034
Net loss				(17,422,111)	(17,422,111)
Balance at Sep. 30, 2012	\$ 7,469	\$ 0	\$ 54,972,338	\$ (70,234,609)	\$ (15,254,802)
Balance (in shares) at Sep. 30, 2012	7,469,366	0			

INVENTORY

**12 Months Ended
Sep. 30, 2012**

[Inventory Disclosure \[Abstract\]](#)

[Inventory Disclosure \[Text Block\]](#) **NOTE 4 – INVENTORY**

The components of inventory as of September 30, 2012 and 2011 were as follows:

	2012	2011
Parts, materials and assemblies	\$229,667	\$185,143
Work in-process	78,323	17,046
Total Inventory	<u>\$307,990</u>	<u>\$202,189</u>

**COMMITMENTS AND
CONTINGENCIES (Details) Sep. 30, 2012
(USD \$)**

Year ended September 30, 2013	\$ 142,406
September 30, 2014	147,919
September 30, 2015	153,431
September 30, 2016	158,944
September 30, 2017	26,644
Total	\$ 629,344

**ACCOUNTS PAYABLE
AND ACCRUED
LIABILITIES (Tables)**

[Accounts Payable and Accrued Liabilities](#)

[\[Abstract\]](#)

[Schedule of Accounts Payable and Accrued Liabilities \[Table Text Block\]](#)

12 Months Ended

Sep. 30, 2012

Accounts payable and accrued liabilities at September 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Accounts payable – trade	\$1,142,672	\$1,340,114
Accrued interest	20,887	105,721
Accrued warranty expense	372,940	-
Accrued payroll	191,492	122,715
Other accrued expenses	160,933	66,803
Total	<u>\$1,888,924</u>	<u>\$1,635,353</u>

INVESTMENT AT EQUITY (Details Textual) (USD \$)	12 Months Ended		Sep. 30, 2012 Boomerang Systems Usa Corp [Member]	Sep. 30, 2012 Tawreed Companies Representation [Member]	Sep. 30, 2012 Boomerang Systems Middle East [Member]	Sep. 30, 2011 Boomerang Systems Middle East [Member]	Sep. 30, 2010 Boomerang Systems Middle East [Member]	Sep. 30, 2012 Boomerang Mp Holdings [Member]	Sep. 30, 2012 Stokes Industries [Member]	Sep. 30, 2012 Boomerang Stokes Mechanical Parking [Member]	Sep. 30, 2011 Boomerang Stokes Mechanical Parking [Member]	12 Months Ended	
	Sep. 30, 2012	Sep. 30, 2011										Sep. 30, 2012	Sep. 30, 2011
Equity Method Investment, Ownership Percentage			49.00%	51.00%	49.00%			50.00%	50.00%	50.00%			
Equity Method Investment Percentage Of Loss Recognized	50.00%												49.00%
Minimum Amount Of Capital Committed To Provided By Subsidiary	\$ 250,000												
Investment Made In Joint Venture	191,000												55,601
Investment at equity	230,195	139,836			142,899	139,836	45,460			87,296	0		142,899
Equity Method Investment, Realized Gain (Loss) on Disposal	\$ 103,704												\$ 52,538

SUBSEQUENT EVENTS

**12 Months Ended
Sep. 30, 2012**

[Subsequent Events](#)

[\[Abstract\]](#)

[Subsequent Events \[Text
Block\]](#)

NOTE 14 – SUBSEQUENT EVENTS

In preparing the accompanying consolidated financial statements, the Company has reviewed events that have occurred after September 30, 2012, through the date of issuance of the financial statements.

On December 28, 2012, the Company issued to subscribers 6% convertible notes in the aggregate principal amount of \$3.0 million and warrants to purchase an aggregate of 600,000 shares of Common Stock in a private placement (the “December 2012 Offering”) for aggregate gross cash proceeds of \$3.0 million. Included in this transaction was the issuance of convertible notes in the aggregate principal amount of approximately \$1.85 million and warrants to purchase an aggregate of 369,000 shares of Common Stock to officers, directors, 5% stockholders and other affiliates for aggregate gross cash proceeds of approximately \$1.85 million. For each \$100,000 invested, a subscriber was issued a \$100,000 principal amount note and warrants to purchase 20,000 shares of the Company’s Common Stock.

In connection with the December 2012 Offering, the following officers, directors, 5% stockholders and affiliates of the Company participated in the December 2012 Offering.

Name	Notes issued in Offering	Warrants issued in Offering
The Estate of Gene Mulvihill (1)	\$ 1,000,000	200,000
Heather Mulvihill (2)	\$ 100,000	20,000
MRP Holdings LLC (3)	\$ 100,000	20,000
Albert Behler (4)	\$ 250,000	50,000
Burton I Koffman (5)	\$ 145,000	29,000
Alexandria Equities, LLC (6)	\$ 250,000	50,000

- (1) Gail Mulvihill, the administrator of the estate and individual who exercises shared voting and investment power over the shares, is a principal stockholder and mother of Christopher Mulvihill, the Company’s President and a principal stockholder of the Company.
- (2) Heather Mulvihill is the sister-in-law of Christopher Mulvihill, the Company’s President and a director and principal stockholder of the Company.
- (3) MRP Holdings LLC is owned by Mark Patterson, the Company’s Chief Executive Officer and a director and principal stockholder of the Company.
- (4) Albert Behler is a principal stockholder of the Company.
- (5) Directly and indirectly through various entities he controls. Burton I Koffman is a principal stockholder of the Company.
- (6) Alexandria Equities, LLC is a principal stockholder of the Company.

On December 31, 2012, the Company issued an aggregate of 90,328 shares of common stock in lieu of aggregate cash payments of \$269,565 of interest for the quarter ended December 31, 2012, including 40,116 shares of common stock to officers, directors, 5% stockholders and other affiliates in lieu of cash payments of \$119,757. Pursuant to the terms of the Notes and 2012 Notes, these shares of stock were issued at \$2.99 per share.