

AVX Corp
Form 4
June 03, 2014

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2015
Estimated average burden hours per response... 0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
GILBERTSON JOHN S

(Last) (First) (Middle)
1 AVX BOULEVARD

(Street)

FOUNTAIN INN, SC 29644

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
AVX Corp [AVX]

3. Date of Earliest Transaction (Month/Day/Year)
06/02/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
CEO and President

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)	
			Code	V	Amount	(D)	Price	
Common Stock	06/02/2014	06/03/2014	A	25	A	\$	43,181 13.29	I By Retirement Plan Trustees

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
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share, holders of our Series F Preferred Stock are entitled to one vote per 1/150th or 0.0067 a share, holders of our Series G Preferred Stock are entitled to one vote per 1/150th or 0.0067 a share, holders of our Series H Preferred Stock are entitled to one vote per 100/150th or 0.6667 a share, holders of our Series I Preferred Stock are entitled to one vote per 100/150th or 0.6667 a share, holders of our Series J Preferred Stock are entitled to one vote per 1,000/150th or 6.6667 a share, holders of our Series K Preferred Stock are entitled to one vote per 100/150th or 0.6667 a share. holders of our Series L Preferred Stock are entitled to one vote per 2.50 a share.

In determining the percent of voting power by a person or entity, (a) the numerator is the number of common shares outstanding as of March 29, 2019, (1,260,804), and common shares available to acquire upon conversion, subject to 9.99% ownership limitations, whereby the owner would not exceed 9.99% of the outstanding shares of common stock (531,232) and (b) the denominator is the sum of (i) the total shares of common stock outstanding on March 29, 2019 (1,260,804) and (ii) conversion of preferred stock, (531,232), subject to ownership limitations on conversion and exercise as more fully described in the notes below, which is an aggregate of 1,792,036 shares. Not included in calculating voting power are (i) shares of common stock which may be acquired within 60 days upon exercise of warrants or options and (ii) preferred shares of common stock which exceed the beneficial ownership limitations on the voting rights and conversion of convertible preferred shares.

(2) In determining the percent of common stock beneficially owned by a person or entity, (a) the numerator is the number of shares of the class beneficially owned by such person or entity (1,260,804), including shares which may be acquired within 60 days on exercise of warrants or options (645,667) and common shares available to acquire upon conversion, subject to 9.99% ownership limitations, whereby the owner would not exceed 9.99% of the outstanding shares of common stock (491,231) and (b) the denominator is the sum of (i) the total shares of common stock outstanding on March 29, 2019, (1,260,804) and (ii) the total number of shares that the beneficial owner may acquire upon exercise of options, (645,667) and (iii) conversion of preferred stock, (491,231), subject to ownership limitations on conversion and exercise as more fully described in the notes below, which is an aggregate of 2,397,703 shares.

(3) The holders of our Series B Preferred Stock are entitled to one vote for each 1/150th or 0.0333 per share of Series B Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record date is established, at the date such vote is taken, or any written consent of shareholders is solicited, as effectuated by the 1:150 reverse split on March 8, 2018.. Each share of Series B Preferred Stock is convertible into 5/150th or 0.0333 a share of common stock. Pursuant to the terms of the Series B Preferred Stock, a holder cannot convert any of the Series B Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series B Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits.

(4) Each share of Series C Preferred Stock is convertible into 10/150th or 0.0667 per share of common stock as effectuated by the 1:150 reverse split on March 8, 2018. Pursuant to the terms of the Series C Preferred Stock, a holder cannot convert any of the Series C Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series C Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each 10/150th or 0.0667 per share of Series C Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record date is established, at the date such vote is taken, or any written consent of shareholders is solicited.

(5) Each share of Series D Preferred Stock is convertible into 20/150th or 0.1333 per share of common stock, as effectuated by the 1:150 reverse split on March 8, 2018. Pursuant to the terms of the Series D Preferred Stock, a holder cannot convert any of the Series D Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series D Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each 20/150th or 0.1333 per share of Series D Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record date is established, at the date such vote is taken, or any written consent of shareholders is solicited.

(6) Each share of Series E Preferred Stock is convertible into 10/150th or 0.0667 per share of common stock as effectuated by the 1:150 reverse split on March 8, 2018. Pursuant to the terms of the Series E Preferred Stock, a holder cannot convert any of the Series E Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series E Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each 10/150th or 0.0667 per share of Series E Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record date is established, at the date such vote is taken, or any written consent of shareholders is

solicited

(7) Each share of Series F Preferred Stock is convertible into 1/150th or 0.0067 per share of common stock as effectuated by the 1:150 reverse split on March 8, 2018. Pursuant to the terms of the Series F Preferred Stock, a holder cannot convert any of the Series F Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series F Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each 1/150th or 0.0067 per share of Series F Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record, date is established, at the date, such vote is taken, or any written consent of shareholders is solicited.

-35-

(8) Each share of Series G Preferred Stock is convertible into $1/150^{\text{th}}$ or 0.0067 per share of common stock as effectuated by the 1:150 reverse split on March 8, 2018. Pursuant to the terms of the Series G Preferred Stock, a holder cannot convert any of the Series G Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series G Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each $1/150^{\text{th}}$ or 0.0067 per share of Series G Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record, date is established, at the date, such vote is taken, or any written consent of shareholders is solicited.

(9) Each share of Series H Preferred Stock is convertible into $100/150^{\text{th}}$ or 0.6667 per share of common stock as effectuated by the 1:150 reverse split on March 8, 2018. Pursuant to the terms of the Series H Preferred Stock, a holder cannot convert any of the Series H Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series H Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each $100/150^{\text{th}}$ or 0.6667 per share of Series H Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record, date is established, at the date, such vote is taken, or any written consent of shareholders is solicited.

(10) Each share of Series I Preferred Stock is convertible into $100/150^{\text{th}}$ or 0.6667 per share of common stock as effectuated by the 1:150 reverse split on March 8, 2018. Pursuant to the terms of the Series I Preferred Stock, a holder cannot convert any of the Series I Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series I Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each $100/150^{\text{th}}$ or 0.6667 per share of Series I Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record, date is established, at the date, such vote is taken, or any written consent of shareholders is solicited.

(11) Each share of Series J Preferred Stock is convertible into $1000/150^{\text{th}}$ or 6.6667 per share of common stock as effectuated by the 1:150 reverse split on March 8, 2018. Pursuant to the terms of the Series J Preferred Stock, a holder cannot convert any of the Series J Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series J Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each $1000/150^{\text{th}}$ or 6.6667 per share of Series J Preferred Stock owned at the record date for the determination of shareholders entitled to

vote, or, if no record, date is established, at the date, such vote is taken, or any written consent of shareholders is solicited.

(12) Each share of Series K Preferred Stock is convertible into 100/150th or 0.6667 per share of common stock as effectuated by the 1:150 reverse split on March 8, 2018. Pursuant to the terms of the Series K Preferred Stock, a holder cannot convert any of the Series K Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series K Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each 100/150th or 0.6667 per share of Series K Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record, date is established, at the date, such vote is taken, or any written consent of shareholders is solicited.

-36-

(13) Each share of Series L Preferred Stock is convertible into 2.50 per share of common stock. Pursuant to the terms of the Series L Preferred Stock, a holder cannot convert any of the Series L Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series L Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each 2.50 per share of Series L Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record, date is established, at the date, such vote is taken, or any written consent of shareholders is solicited.

(14) Unless otherwise indicated in the footnotes, the address of the beneficial owners is c/o Orbital Tracking Corp., 18851 N.E. 29th Ave., Suite 700, Aventura, Florida 33180.

(15) Includes (i) one vote for each 256,586 shares of common stock. Does not include 342,691 votes and common shares issuable upon the conversion of 5,140,360 shares of Series E Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series E Preferred Stock.

(16) Includes (i) one vote for each 256,586 shares of common stock. Does not include (i) 342,691 votes and common shares issuable upon the conversion of 5,140,360 shares of Series E Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series E Preferred Stock and (ii) 125,000 options exercisable within 60 days.

(17) Includes 84,666 shares of common stock issuable upon exercise of options.

(18) Includes 203,334 shares of common stock issuable upon exercise of options.

(19) The address of this beneficial owner is 4400 Biscayne Blvd., #850, Miami Florida 33137.

(20) Includes (i) one vote per share for 21,584 shares of common stock held in the name of Michael Brauser, (ii) one vote per share for 26,965 shares of common stock held in the name of Grander Holdings Inc., 401K, (iii) one vote per share of 77,405 shares of common stock, issuable upon conversion of 580,540 shares of Series D Preferred Stock, one share of Series D Preferred Stock is convertible into 20/150th or 0.1333 of common, held in the name of Michael Brauser. Mr. Brauser is the trustee of Grander Holdings Inc., 401K and holds voting and dispositive power over the

securities of the Company held by Grander Holdings Inc., 401K. Does not include (i) 125,603 votes, or 20/150th or 0.1333 votes per share of 942,026 shares of Series D Preferred Stock, due to the beneficial ownership limitations on the voting rights of the Series D Preferred Stock, held in the name of Michael Brauser, (ii) 7,184 votes or 1/150th or 0.0067 votes per share of 7,184 shares of common stock issuable upon conversion of 1,077,594 shares of Series G Preferred stock, due to the beneficial ownership limitations on the voting rights of the Series G Preferred Stock, held by Grander Holdings Inc., 401K, (iii) 112 votes or 100/150th or 0.6667 votes per share of 112 shares of common stock issuable upon conversion of 168 shares Series H Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series H Preferred Stock held by Grander Holdings Inc., 401K, (iv) 16,203 votes or 100/150th or 0.6667 votes per share of 16,203 shares of common stock issuable upon conversion of 24,305 shares Series I Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series I Preferred Stock held by Grander Holdings Inc., 401K, (v) 33,333 votes or 1,000/150th or 6.6667 votes per share of 33,333 shares of common stock issuable upon conversion of 5,000 shares of Series J Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series J Preferred Stock, held in the name of Grander Holdings Inc., 401K, (vi) 136,805 votes, or 100/150th or 0.6667 votes per share, of 136,805 shares of common stock issuable upon conversion of 205,208 shares of Series K Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock, held in the name of Grander Holdings Inc., 401K, (vii) 91,074 votes, or 100/150th or 0.6667 votes per share of 91,074 shares of common stock issuable upon conversion of 136,611 shares of Series K Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock, held in the name of Michael Brauser and (viii) 25,000 votes, or 2.50 votes per share of 25,000 shares of common stock issuable upon conversion of 10,000 shares of Series L Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series L Preferred Stock, held in the name of Grander Holdings Inc., 401K.

(21) Includes (i) one vote per share for 21,584 shares of common stock held in the name of Michael Brauser, (ii) one vote per share for 26,965 shares of common stock held in the name of Grander Holdings Inc., 401K, (iii) one vote per share of 57,405 shares of common stock, issuable upon conversion of 430,540 shares of Series D Preferred Stock, held in the name of Michael Brauser, one share of Series D Preferred Stock is convertible into 20/150th or 0.1333 of common and (iv) 20,000 shares of common stock issuable upon exercise of Series L preferred warrants exercisable within 60 days, held in the name of Grander Holdings Inc., 401K. Mr. Brauser is the trustee of Grander Holdings Inc., 401K and holds voting and dispositive power over the securities of the Company held by Grander Holdings Inc., 401K. Does not include (i) 145,603 votes, or 20/150th or 0.1333 votes per share of 1,092,026 shares of Series D Preferred Stock, due to the beneficial ownership limitations on the voting rights of the Series D Preferred Stock, held in the name of Michael Brauser, (ii) 7,184 votes or 1/150th or 0.0067 votes per share of 7,184 shares of common stock issuable upon conversion of 1,077,594 shares of Series G Preferred stock, due to the beneficial ownership limitations on the voting rights of the Series G Preferred Stock, held by Grander Holdings Inc., 401K, (iii) 112 votes or 100/150th or 0.6667 votes per share of 112 shares of common stock issuable upon conversion of 168 shares Series H Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series H Preferred Stock held by Grander Holdings Inc., 401K., (iv) 16,203 votes or 100/150th or 0.6667 votes per share of 16,203 shares of common stock issuable upon conversion of 24,305 shares Series I Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series I Preferred Stock held by Grander Holdings Inc., 401K, (v) 33,333 votes or 1,000/150th or 6.6667 votes per share of 33,333 shares of common stock issuable upon conversion of 5,000 shares of Series J Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series J Preferred Stock, held in the name of Grander Holdings Inc., 401K, (vi) 136,805 votes, or 100/150th or 0.6667 votes per share, of 136,805 shares of common stock issuable upon conversion of 205,208 shares of Series K Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock, held in the name of Grander Holdings Inc., 401K, and (vii) 91,074 votes, or 100/150th or 0.6667 votes per share of 91,074 shares of common stock issuable upon conversion of 136,611 shares of Series K Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock, held in the name of Michael Brauser.

(22) The address of this beneficial owner is 4400 Biscayne Blvd., 15th Fl. Miami Florida 33137

(23) Includes (i) one vote per share of 4,712 shares of common stock held by Phillip and Patricia Frost Philanthropic Frost Gamma Trust, (ii) one vote per share of 63,426 shares of common stock held by Frost Gamma Investments Trust, (iii) 134 shares of common stock held by Dr. Philip Frost and (iv) 57,682 votes or 10/150th or 0.0667 votes per share, of 57,682 shares of common stock, issuable upon conversion of 865,235 shares of Series C Preferred Stock, held in the name of Frost Gamma Investments Trust. Dr. Frost is the trustee of Frost Gamma Investments Trust and Phillip and Patricia Frost Philanthropic and holds voting and dispositive power over the securities of the Company held by both. Does not include: (i) 65,844 votes, or 10/150th or 0.0667 votes per share of 65,844 shares of common stock issuable upon conversion of 987,659 shares of Series C Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series C Preferred Stock held by Frost Gamma Investments Trust and (ii) 715 votes or 100/150th or 0.6667 votes per share of 715 shares of common stock issuable upon conversion of 1,073 shares Series H Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series H Preferred Stock held in the name of Frost Gamma Investments Trust, (iii) 333,333 votes or 1,000/150th or 6.6667 votes per share of 333,333 shares of common stock issuable upon conversion of 50,000 shares of Series J Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of

the Series J Preferred Stock, held in the name of Frost Gamma Investments Trust and (iv) 125,000 votes, or $100/150^{\text{th}}$ or 0.6667 votes per share of 125,000 shares of common stock issuable upon conversion of 187,500 shares of Series K Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock held by Frost Gamma Investments Trust.

(24) The address of this beneficial owner is 555 South Federal Highway #450, Boca Raton, Florida 33432

-38-

(25) Includes (i) one vote per share for 210 shares of common stock held by Barry Honig, (ii) one vote per share for 10,984 shares of common stock held by GRQ Consultants, Inc., 401K, (iii) one vote per share for 14 shares of common stock held by GRQ Consultants, Inc., and (iv) 92,146 votes, or 20/150th or 0.1333 votes per share, of 92,146 shares of common stock, issuable upon conversion of 691,094 shares of Series D Preferred Stock, held in the name of GRQ Consultants, Inc., 401K., (v) 2,333 votes, or 1/150th or 0.0067 votes per share, of 2,333 shares of common stock, issuable upon conversion of 349,999 shares of Series F Preferred Stock, held in the name of GRQ Consultants, Inc. 401K, (vi) 20,267 votes, or 1/150th or 0.0067 votes per share, of 20,267 shares of common stock, issuable upon conversion of 3,040,098 shares of Series G Preferred Stock, held in the name of GRQ Consultants, Inc. 401K. Mr. Honig is the trustee of GRQ Consultants, Inc. 401K, and holds voting and dispositive power over the securities of the Company held by GRQ Consultants, Inc. 401K. Mr. Honig is the president of GRQ Consultants, Inc. and holds voting and dispositive power over the securities of the company held by GRQ Consultants, Inc. Does not include (i) 7,233 votes or 1/150th or 0.0067 votes per share of 7,233 shares of common stock issuable upon conversion of 1,084,910 shares of Series G Preferred Stock, due to the beneficial ownership limitations on the voting rights of the Series G Preferred Stock, held by GRQ Consultants, Inc., 401K, (ii) 8,333 votes or 100/150th or 0.6667 votes per share of 8,333 shares of common stock issuable upon conversion of 12,500 shares Series H Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series H Preferred Stock held by GRQ Consultants, Inc., 401K, (iii) 16,203 votes or 100/150th or 0.6667 votes per share of 16,203 shares of common stock issuable upon conversion of 24,305 shares Series I Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series I Preferred Stock held by GRQ Consultants, Inc., 401K, (iv) 33,333 votes or 1,000/150th or 6.6667 votes per share of 33,333 shares of common stock issuable upon conversion of 5,000 shares of Series J Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series J Preferred Stock, held in the name of GRQ Consultants, Inc., 401K, (v) 227,880 votes, or 100/150th or 0.6667 votes per share, of 227,880 shares of common stock issuable upon conversion of 341,820 shares of Series K Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock, held in the name of GRQ Consultants, Inc., 401K, (vi) 22 votes or 1/150th or 0.0333 of 22 shares of common stock issuable upon the conversion of 3,333 shares of Series B Preferred Stock due to beneficial ownership limitations on voting rights held in the name of Barry Honig and (vii) 25,000 votes, or 2.50 votes per share of 25,000 shares of common stock issuable upon conversion of 10,000 shares of Series L Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series L Preferred Stock, held in the name of GRQ Consultants, Inc.

(26) Includes (i) one vote per share for 210 shares of common stock held by Barry Honig, (ii) one vote per share for 10,984 shares of common stock held by GRQ Consultants, Inc., 401K, (iii) one vote per share for 14 shares of common stock held by GRQ Consultants, Inc., (iv) 72,146 votes, or 20/150th or 0.1333 votes per share, of 72,146 shares of common stock, issuable upon conversion of 541,094 shares of Series D Preferred Stock, held in the name of GRQ Consultants, Inc., 401K., (v) 2,333 votes, or 1/150th or 0.0067 votes per share, of 2,333 shares of common stock, issuable upon conversion of 349,999 shares of Series F Preferred Stock, held in the name of GRQ Consultants, Inc. 401K, (vi) 267 votes, or 1/150th or 0.0067 votes per share, of 267 shares of common stock, issuable upon conversion of 40,098 shares of Series G Preferred Stock, held in the name of GRQ Consultants, Inc. 401K. and (vii) 20,000 shares of common stock issuable upon exercise of Series L preferred warrants exercisable within 60 days, held in the name of GRQ Consultants, Inc. Mr. Honig is the trustee of GRQ Consultants, Inc. 401K, and holds voting and dispositive power over the securities of the Company held by GRQ Consultants, Inc. 401K. Mr. Honig is the president of GRQ Consultants, Inc. and holds voting and dispositive power over the securities of the company held by GRQ Consultants, Inc. Does not include (i) 20,000 votes, or 20/150th or 0.1333 votes per share, of 20,000 shares of common stock, issuable upon conversion of 150,000 shares of Series D Preferred Stock, held in the name of GRQ Consultants, Inc., 401K., (ii) 27,233 votes or 1/150th or 0.0067 votes per share of 27,233 shares of common stock issuable upon

conversion of 4,084,910 shares of Series G Preferred Stock, due to the beneficial ownership limitations on the voting rights of the Series G Preferred Stock, held by GRQ Consultants, Inc., 401K, (iii) 8,333 votes or $100/150^{\text{th}}$ or 0.6667 votes per share of 8,333 shares of common stock issuable upon conversion of 12,500 shares Series H Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series H Preferred Stock held by GRQ Consultants, Inc., 401K, (iv) 16,203 votes or $100/150^{\text{th}}$ or 0.6667 votes per share of 16,203 shares of common stock issuable upon conversion of 24,305 shares Series I Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series I Preferred Stock held by GRQ Consultants, Inc., 401K, (v) 33,333 votes or $1,000/150^{\text{th}}$ or 6.6667 votes per share of 33,333 shares of common stock issuable upon conversion of 5,000 shares of Series J Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series J Preferred Stock, held in the name of GRQ Consultants, Inc., 401K, (vi) 227,880 votes, or $100/150^{\text{th}}$ or 0.6667 votes per share, of 227,880 shares of common stock issuable upon conversion of 341,820 shares of Series K Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock, held in the name of GRQ Consultants, Inc., 401K, (vii) 111 votes or $1/150^{\text{th}}$ or 0.0333 of 111 shares of common stock issuable upon the conversion of 3,333 shares of Series B Preferred Stock due to beneficial ownership limitations on voting rights held in the name of Barry Honig and (viii) 25,000 votes, or 2.50 votes per share of 25,000 shares of common stock issuable upon conversion of 10,000 shares of Series L Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series L Preferred Stock, held in the name of GRQ Consultants, Inc.

(27) The address of this beneficial owner is 2828 Routh Street, Suite 500, Dallas, Texas 75201.

(28) Includes (i) one vote per share of 667 shares of common stock held in the name of Sandor Master Capital Fund, (ii) one vote per share of 8,334 shares of common stock held in the name JSL Kids Partners, of which Mr. Lemak is the control person, (iii) 4,052 votes or 10/150th or 0.0667 votes per share, of 4,052 shares of common stock, issuable upon conversion of 60,782 shares of Series C Preferred Stock, held in the name of Sandor Capital Master Fund LP, and (iv) 87,333 votes or 10/150th or 0.1333 votes per share, of 87,333 shares of common stock, issuable upon conversion of 655,000 shares of Series D Preferred Stock, held in the name of Sandor Capital Master Fund LP. And (v) 25,568 votes, or 100/150th or 0.6667 votes per share, of 25,568 shares of common stock issuable upon conversion of 38,352 shares of Series K Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock held by Sandor Capital Master Fund LP. John Lemak is the manager of Sandor Capital Master Fund LP and holds voting and dispositive power over the securities of the Company held by Sandor Capital Master Fund LP. Does not include: 24,432 votes, or 100/150th or 0.6667 votes per share, of 24,432 shares of common stock issuable upon conversion of 36,648 shares of Series K Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock held by Sandor Capital Master Fund LP.

(29) The address of this beneficial owner is 68 Fiesta Way, Fort Lauderdale, FL 33301.

(30) Includes (i) one vote per share of one share of common stock held by John Stetson, (ii) one vote per share of 40,842 shares of common stock held by Oban Investments LLC, (iii) 27,353 votes or 1,000/150th or 6.6667 votes per share of 27,353 shares of common stock issuable upon conversion of 4,103 shares of Series J Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series J Preferred Stock, held in the name of Oban Investments LLC and (iv) 57,758 votes, or 100/150th or 0.6667 votes per share, of 57,758 shares of common stock issuable upon conversion of 86,637 shares of Series K Preferred Stock due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock, held in the name of Oban Investments LLC. Does not include 38,075 votes, or 100/150th or 0.6667 votes per share, of 38,075 shares of common stock issuable upon conversion of 57,113 shares of Series K Preferred Stock, due to the beneficial ownership limitations on the voting rights and conversion of the Series K Preferred Stock, held in the name of Oban Investments LLC. John Stetson is the manager of Oban Investments LLC and holds voting and dispositive power over the securities of the Company held by Oban Investments LLC.

(31) Includes (i) one vote for each 83,371 shares of common stock. Does not include 79,167 options exercisable into 79,167 common shares within 60 days.

(32) Includes (i) one vote for each 83,371 shares of common stock and (ii) 79,167 options exercisable into 79,167 common shares within 60 days.

Explanation of Responses:

(33) Includes (i) one vote for each 83,371 shares of common stock. Does not include 79,167 options exercisable into 79,167 common shares within 60 days.

(34) Includes (i) one vote for each 83,371 shares of common stock and (ii) 79,167 options exercisable into 79,167 common shares within 60 days.

-40-

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

SEC rules require us to disclose any transaction or currently proposed transaction in which the Company is a participant and in which any related person has or will have a direct or indirect material interest involving the lesser of \$120,000 or one percent (1%) of the average of the Company’s total assets as of the end of last two completed fiscal years. A related person is any executive officer, director, nominee for director, or holder of 5% or more of the Company’s common stock, or an immediate family member of any of those persons.

For the years ended December 31, 2018 and 2017, Orbital Satcom purchased an aggregate of approximately \$828,741 and \$881,151 of inventory from GTCL. For the years ended December 31, 2018 and 2017, GTCL purchased an aggregate of approximately \$30,557 and \$5,774 of inventory from Orbital Satcom.

Item 14. Principal Accounting Fees and Services

During the fiscal years ending December 31, 2018 and 2017, RBSM LLP was the Company’s independent registered public accounting firm.

The following table sets forth fees billed to us by our independent registered public accounting firm during the fiscal years ended December 31, 2018 and 2017.

RBSM LLP	2018	2017
Audit Fees (1)	\$82,649	\$87,500
Audit-related Fees	-	-
Tax Fees	-	-
All Other Fees (2)	-	8,500
Total Fees	\$82,649	\$96,000

(1) Audit fees consisted primarily of fees for the audit of our annual financial statements and reviews of the financial statements included in our quarterly reports and current reports.

(2) All other fees reflect fees for review of the Company’s registration statement on Form S-1 and amendments thereto,

Audit Committee Pre-approval Policies and Procedures

We do not, and during 2018 did not, have an audit committee. However, the full board of directors currently performs the duties of an audit committee. The board of directors has certain policies and procedures in place requiring the pre-approval of audit and non-audit services to be performed by our independent registered public accounting firm. Such pre-approval can be given as part of the board's approval of the scope of the engagement of the independent public registered accounting firm or on an individual basis. The approved non-audit services must be disclosed in our periodic reports filed with the SEC. All work performed by our independent registered public accounting firm for us in 2018 and 2017 was pre-approved by the board of directors.

-41-

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as part of this report.

Financial Statements. See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The (1) financial statements listed in the accompanying Index to Consolidated Financial Statements are filed herewith in response to this Item.

(2) Financial Statements Schedules. None.

(3) Exhibits

Exhibit No.	Description
2.1	<u>Agreement and Plan of Merger dated March 28, 2014 (Incorporated by reference to Exhibit 2.1 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014)</u>
2.2	<u>Asset Purchase Agreement dated December 10, 2014 (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)</u> (1)
2.3	<u>Articles of Merger (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2015)</u>
2.4	<u>Share Exchange Agreement by and among Orbital Tracking Corp., Global Telesat Communications Ltd. and the Shareholders of Global Telesat Communications Ltd. dated February 19, 2015 (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 25, 2015)</u> (2)
3.1	<u>Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014)</u>
3.2	<u>Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014)</u>
3.3	<u>Certificate of Amendment to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014)</u>

Explanation of Responses:

- 3.4 Certificate of Amendment to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 8, 2016)
- 3.5 Bylaws (Incorporated by reference to Exhibit 3.4 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014)
- 3.6 Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock (Incorporated by reference to Exhibit 3.5 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014)
- 3.7 Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (Incorporated by reference to Exhibit 3.6 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2014)
- 3.8 Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2014)

-42-

Exhibit No.	Description
3.9	<u>Certificate of Designation of Preferences, Rights and Limitations of Series D Convertible Preferred Stock (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2014)</u>
3.10	<u>Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 25, 2015)</u>
3.11	<u>Certificate of Designation of Preferences, Rights and Limitations of Series F Convertible Preferred Stock (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 28, 2015)</u>
3.12	<u>Certificate of Designation of Preferences, Rights and Limitations of Series G Convertible Preferred Stock (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 18, 2016)</u>
3.13	<u>Certificate of Designation of Preferences, Rights and Limitations of Series H Convertible Preferred Stock (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2016)</u>
3.14	<u>Certificate of Designation of Preferences, Rights and Limitations of Series I Convertible Preferred Stock (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2016)</u>
3.15	<u>Certificate of Correction to Designation of Preferences, Rights and Limitations of Series H Convertible Preferred Stock (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 13, 2017)</u>
3.16	<u>Certificate of Designation of Preferences, Rights and Limitations of Series J Convertible Preferred Stock (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2017)</u>
3.17	<u>Certificate of Designation of Preferences, Rights and Limitations of Series K Convertible Preferred Stock (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2017)</u>
3.18	<u>Certificate of Amendment to Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock (Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2017)</u>
3.19	<u>Certificate of Amendment to Designation of Preferences, Rights and Limitations of Series D Convertible Preferred Stock (Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2017)</u>

3.20 Certificate of Amendment to Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock (Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2017)

3.21 Certificate of Amendment to Designation of Preferences, Rights and Limitations of Series H Convertible Preferred Stock (Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2017)

-43-

Exhibit No.	Description
3.22	<u>Certificate of Amendment to Designation of Preferences, Rights and Limitations of Series I Convertible Preferred Stock (Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2017)</u>
3.23	<u>Certificate of Amendment to Designation of Preferences, Rights and Limitations of Series J Convertible Preferred Stock (Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2017)</u>
3.24	<u>Certificate of Amendment to Designation of Preferences, Rights and Limitations of Series K Convertible Preferred Stock (Incorporated by reference to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2017)</u>
3.25	<u>Certificate of Designation of Preferences, Rights and Limitations of Series L Convertible Preferred Stock (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 15, 2018)</u>
10.1	<u>Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 30, 2014)</u>
10.2	<u>2014 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 21, 2014) +</u>
10.3	<u>Securities Purchase Agreement by and between the Company and Auracana LLC dated January 21, 2014 (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 21, 2014)</u>
10.4	<u>Form of Subscription Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2014)</u>
10.5	<u>Form of Registration Rights Agreement (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2014)</u>
10.6	<u>Form of Exchange Agreement (Note) (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2014)</u>
10.7	<u>Form of Exchange Agreement (Unconverted Interest) (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2014)</u>
10.8	<u>License Agreement dated December 10, 2014 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)</u>
10.9	<u>Consulting Agreement dated December 16, 2014 (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)</u>

10.10 Price & Delivery Quote for the acceleration of Remote Telemetry capability and Simplex Data Services dated June 30, 2003 and Globalstar Response to GTCL's Letter of Acceptance dated August 07, 2003 (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)

-44-

Exhibit No.	Description
10.11	<u>Agreement by and between Globalstar LLC and Globalnet Corporation dated May 04, 2005 (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)</u>
10.12	<u>Assignment and Assumption Agreement by and between Globalstar LLC, Globalnet Corporation and Global Telesat Corp. dated July 28, 2005 (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)</u>
10.13	<u>Amendment to the Agreement by and between Globalstar LLC and Globalnet Corporation dated May 04, 2005, dated August 16, 2006 (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)</u>
10.14	<u>Contract No. GINC-C-11-0520 by and between Global Telesat Corp. and Globalstar, Inc., dated February 10, 2011 (Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)</u>
10.15	<u>Form of Strategic Consulting Agreement (Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)</u>
10.16	<u>\$122,536 Note issued February 19, 2015 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 25, 2015) (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2015)</u>
10.17	<u>Executive Employment Agreement by and between David Phipps and Orbital Satcom, dated February 19, 2015 (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2015) +</u>
10.18	<u>Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2015)</u>
10.19	<u>Form of Subscription Agreement (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2015)</u>
10.20	<u>Form of Registration Rights Agreement (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2015)</u>
10.21	<u>Consulting Agreement by and between SpaceTao LLC and the Company, dated February 19, 2015 (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2015)</u>
10.22	<u>Purchase and Transfer Agreement by and between Concentric Engineering LLC and the Company, dated February 19, 2015 (Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2015)</u>

10.23 Mutual Release Agreement by and between MJI Resources Corp. and the Company, dated February 19, 2015 (Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2015)

10.24 Form of Strategic Consulting Agreement (Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 16, 2014)

-45-

Exhibit No.	Description
10.25	<u>Employment Agreement by and between Theresa Carlise and the Company, dated June 9, 2015 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2015) +</u>
10.26	<u>Form of Subscription Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2015)</u>
10.27	<u>Form of Note Purchase Agreement (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2015)</u>
10.28	<u>Form of Note (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2015)</u>
10.29	<u>Placement Agent Agreement by and between the Company and Chardan Capital Markets LLC (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2015)</u>
10.30	<u>Form of Lockup Agreement (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2015)</u>
10.31	<u>Amendment No. 1 to Employment Agreement by and between the Company and Theresa Carlise dated December 28, 2015 (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 11, 2015) +</u>
10.32	<u>Form of Option Agreement (Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2015) +</u>
10.33	<u>Executive Employment Agreement by and between Orbital Tracking Corp. and David Phipps (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2016) +</u>
10.34	<u>Form of Exchange Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 18, 2016)</u>
10.35	<u>Form of Series I Issuance Agreement (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2016)</u>
10.36	<u>Form of Option Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 6, 2017) +</u>
10.37	<u>Form of Subscription Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A filed with the Securities and Exchange Commission on January 13, 2017)</u>
10.38	

Form of Subscription Agreement (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2017)

10.39 Form of Issuance Agreement for 66,977 shares of Series K Preferred Stock (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2017)

10.40 Form of Issuance Agreement for 9,786 shares of Series K Preferred Stock (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2017)

-46-

Exhibit No.	Description
10.41	<u>Form of Stock Option Agreement (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2017) +</u>
10.42	<u>Letter of Intent with Viewtrade Securities, Inc. dated July 7, 2017</u>
10.43	<u>Form of Subscription Agreement - Series J Preferred Stock (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2018)</u>
10.44	<u>Form of Subscription Agreement - Series L Preferred Stock (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2018)</u>
10.45	<u>Form of Warrant ((Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2018)</u>
10.46	<u>2018 Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2018) +</u>
10.47	<u>Executive Employment Agreement by and between Orbital Tracking Corp. and David Phipps (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2018) +</u>
10.48	<u>Executive Employment Agreement by and between Orbital Tracking Corp. and Theresa Carlise (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 14, 2018) +</u>
10.49	<u>Form of Option Agreement +*</u>
21.1	<u>List of Subsidiaries*</u>
31.1	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
31.2	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
32.1	<u>Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</u>
(1)	Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that the Company may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any schedule or exhibit so furnished.

* Filed herewith.

+ Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

-47-

SIGNATURES

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

Dated: March 29,
2019

ORBITAL TRACKING CORP.

By: */s/ David Phipps*

David Phipps

Title: Chief Executive Officer and Chairman

(Principal Executive Officer)

By: */s/ Theresa Carlise*

Theresa Carlise

Title: Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)

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

Signature	Title	Date
<i>/s/ David Phipps</i> David Phipps	Chief Executive Officer and Chairman (Principal Executive Officer)	March 29, 2019
<i>/s/ Theresa Carlise</i> Theresa Carlise	Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	March 29, 2019
<i>/s/ Hector Delgado</i> Hector Delgado	Director	March 29, 2019

ORBITAL TRACKING CORP. AND SUBSIDIARIES

<u>Report of Independent Registered Public Accounting Firm</u>	F-1
Consolidated Financial Statements	
<u>Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	F-2
<u>Consolidated Statements of Operations and Comprehensive Loss for the Years Ended December 31, 2018 and 2017</u>	F-3
<u>Consolidated Statements of Stockholders' Equity for the two years ended December 31, 2018</u>	F-4
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2018 and 2017</u>	F-10
<u>Notes to Consolidated Financial Statements</u>	F-11

-49-

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Orbital Tracking Corp and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Orbital Tracking Corp and Subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has an accumulated deficit, recurring losses, and expects continuing future losses, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RBSM LLP

We have served
as the Company's
auditor since
2014.

Henderson, NV

March 29, 2019

F-1

ORBITAL TRACKING CORP. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2018	2017
ASSETS		
Current Assets		
Cash	\$ 142,888	\$ 233,326
Accounts receivable, net	170,526	294,495
Inventory	269,024	332,895
Unbilled revenue	87,080	89,515
Prepaid expenses	1,926	82,454
Other current assets	43,713	48,213
Total Current Assets	715,157	1,080,898
Property and equipment, net	1,519,845	1,757,200
Intangible assets, net	200,000	225,000
Total Assets	\$ 2,435,002	\$ 3,063,098
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 874,466	\$ 855,687
Deferred revenue	19,701	215,989
Due to related party	39,027	6,998
Provision for income taxes	10,696	12,461
Liabilities of discontinued operations	112,397	112,397
Total Current Liabilities	1,056,287	1,203,532
Total Liabilities	1,056,287	1,203,532
Stockholders' Equity		
Preferred stock, \$0.0001 par value; 50,000,000 shares authorized		
Series A (\$0.0001 par value; 20,000 shares authorized, no shares issued and none outstanding as of December 31, 2018, and 2017)	-	-
Series B (\$0.0001 par value; 30,000 shares authorized, 3,333 and 3,333 shares issued and outstanding as of December 31, 2018, and 2017, respectively)	1	1
Series C (\$0.0001 par value; 4,000,000 shares authorized, 1,913,676 issued and outstanding as of December 31, 2018, and 2017, respectively)	191	191
Series D (\$0.0001 par value; 5,000,000 shares authorized, 2,892,109 shares issued and outstanding as of December 31, 2018, and 2017, respectively)	289	289
Series E (\$0.0001 par value; 8,746,000 shares authorized, 5,174,200 shares issued and outstanding as of December 31, 2018, and 2017, respectively)	517	517

Explanation of Responses:

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Series F (\$0.0001 par value; 1,100,000 shares authorized, 349,999 shares issued and outstanding as of December 31, 2018, and 2017, respectively)	35	35
Series G (\$0.0001 par value; 10,090,000 shares authorized, 5,202,602 shares issued and outstanding as of December 31, 2018, and December 31, 2017, respectively)	520	520
Series H (\$0.0001 par value; 200,000 shares authorized, 13,741 shares issued and outstanding as of December 31, 2018, and December 31, 2017, respectively)	1	1
Series I (\$0.0001 par value; 114,944 shares authorized, 49,110 issued and outstanding as of December 31, 2018, and December 31, 2017, respectively)	5	5
Series J (\$0.0001 par value; 125,000 shares authorized, 64,698 and 44,698 issued and outstanding as of December 31, 2018, and December 31, 2017, respectively)	6	4
Series K (\$0.0001 par value; 1,250,000 shares authorized, 1,156,866 issued and outstanding as of December 31, 2018, and December 31, 2017, respectively)	116	116
Series L (\$0.0001 par value; 100,000 shares authorized, 30,000 and none issued and outstanding as of December 31, 2018, and December 31, 2017, respectively)	3	-
Common stock, (\$0.0001 par value; 750,000,000 shares authorized, 936,519 shares issued and outstanding as of December 31, 2018, and 2017, respectively)	93	93
Additional paid-in capital	11,118,531	10,398,908
Accumulated deficit	(9,735,421)	(8,540,715)
Accumulated other comprehensive loss	(6,172)	(400)
Total Stockholders' Equity	1,378,715	1,859,566
 Total Liabilities and Stockholders' Equity	 \$2,435,002	 \$3,603,098

See accompanying notes to consolidated financial statements.

ORBITAL TRACKING CORP. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	For the Years Ended December 31,	
	2018	2017
Net sales	\$5,726,572	\$6,004,955
Cost of sales	4,691,748	4,854,216
Gross profit	1,034,824	1,150,739
Operating Expenses		
Selling, general and administrative	664,819	583,900
Salaries, wages and payroll taxes	741,584	688,589
Stock-based compensation	219,518	600,000
Professional fees	249,675	551,470
Depreciation and amortization	288,864	284,386
Total Operating Expenses	2,164,460	2,708,345
Loss from Operations	(1,129,636)	(1,577,606)
Other Expense		
Interest expense	110	831
Foreign currency exchange rate variance	56,426	49,669
Change in fair value of derivative instruments, net	-	(1,237)
Other expense	-	2,308,981
Total Other Expense	56,536	2,358,244
Loss before provision for income taxes	(1,186,172)	(3,915,850)
Provision for income taxes	8,534	23,459
Net loss	(1,194,706)	(3,939,309)
Comprehensive loss:		
Net loss	(1,194,706)	(3,939,309)
Foreign currency translation adjustments	(5,772)	32,541
Comprehensive loss available to common stockholders	\$(1,200,478)	\$(3,906,768)
Net loss Per Share – Basic & Diluted	\$(1.28)	\$(8.10)
Weighted average common shares outstanding Basic & Diluted	936,519	482,531

Explanation of Responses:

See accompanying notes to consolidated financial statements.

F-3

ORBITAL TRACKING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE TWO YEARS ENDED DECEMBER 31, 2018

	Preferred Stock - Series A		Preferred Stock - Series B		Preferred Stock - Series C	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance January 1, 2017			6,666	1	3,540,365	354
Preferred stock conversions to common	-	-	(3,333)	(0.33)	(1,626,689)	(163)
Stock-based compensation in connection with options granted	-	-	-	-	-	-
Common stock issued for accounts payable	-	-	-	-	-	-
Sale of Series J Preferred Stock	-	-	-	-	-	-
Preferred stock issued due to antidilution clauses of the Preferred Series C, F and G Subscribers	-	-	-	-	-	-
Imputed interest expense related to related party note payable issued for recapitalization	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
Balance, December 31, 2017	-	\$ -	3,333	\$ 1	1,913,676	\$ 191
Sale of Preferred stock Series J	-	-	-	-	-	-
Sale of Preferred stock Series L	-	-	-	-	-	-
Stock based compensation for options granted	-	-	-	-	-	-
Imputed interest expense related to related party note payable issued for recapitalization	-	-	-	-	-	-
Comprehensive income (loss)	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
Balance, December 31, 2018	-	\$ -	3,333	\$ 1	1,913,676	\$ 191

See accompanying notes to consolidated financial statements.

ORBITAL TRACKING CORP. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****FOR THE TWO YEARS ENDED DECEMBER 31, 2018**

	Preferred Stock - Series D \$0.0001 Par Value		Preferred Stock - Series E \$0.0001 Par Value		Preferred Stock - Series F \$0.0001 Par Value	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance January 1, 2017	3,428,984	343	7,929,651	793	1,099,998	110
Preferred stock conversions to common	(536,875)	(54)	(2,755,451)	(276)	(749,999)	(75)
Stock-based compensation in connection with options granted	-	-	-	-	-	-
Common stock issued for accounts payable	-	-	-	-	-	-
Sale of Series J Preferred Stock	-	-	-	-	-	-
Preferred stock issued due to antidilution clauses of the Preferred Series C, F and G Subscribers	-	-	-	-	-	-
Imputed interest expense related to related party note payable issued for recapitalization	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
Balance, December 31, 2017	2,892,109	\$ 289	5,174,200	\$ 517	349,999	\$ 35
Sale of Preferred stock Series J	-	-	-	-	-	-
Sale of Preferred stock Series L	-	-	-	-	-	-
Stock based compensation for options granted	-	-	-	-	-	-
Imputed interest expense related to related party note payable issued for recapitalization	-	-	-	-	-	-
Comprehensive income (loss)	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
Balance, December 31, 2018	2,892,109	\$ 289	5,174,200	\$ 517	349,999	\$ 35

See accompanying notes to consolidated financial statements.

ORBITAL TRACKING CORP. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****FOR THE TWO YEARS ENDED DECEMBER 31, 2018**

	Preferred Stock - Series G \$0.0001 Par Value		Preferred Stock - Series H \$0.0001 Par Value		Preferred Stock - Series I \$0.0001 Par Value	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance January 1, 2017	10,083,351	1,008	87,500	9	92,944	9
Preferred stock conversions to common	(4,880,749)	(488)	(73,759)	(8)	(43,834)	(4)
Stock-based compensation in connection with options granted						
Common stock issued for accounts payable						
Sale of Series J Preferred Stock						
Preferred stock issued due to antidilution clauses of the Preferred Series C, F and G Subscribers						
Imputed interest expense related to related party note payable issued for recapitalization						
Comprehensive loss						
Net loss						
Balance, December 31, 2017	5,202,602	\$ 520	13,741	\$ 1	49,110	\$ 5
Sale of Preferred stock Series J	-	-	-	-	-	-
Sale of Preferred stock Series L	-	-	-	-	-	-
Stock based compensation for options granted	-	-	-	-	-	-
Imputed interest expense related to related party note payable issued for recapitalization	-	-	-	-	-	-
Comprehensive income (loss)	-	-	-	-	-	-
Net loss	-	-	-	-	-	-
	-	-	-	-	-	-
Balance, December 31, 2018	5,202,602	\$ 520	13,741	\$ 1	49,110	\$ 5

See accompanying notes to consolidated financial statements.

ORBITAL TRACKING CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE TWO YEARS ENDED DECEMBER 31, 2018

	Preferred Stock - Series J \$0.0001 Par Value		Preferred Stock - Series K \$0.0001 Par Value		Preferred Stock - Series L \$0.0001 Par Value	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance January 1, 2017	-	-	-	-	-	-
Preferred stock conversions to common	(9,971)	(1)	(9,786)	(1)		
Sale of Preferred stock Series J	50,000	5	-	-		
Stock-based compensation in connection with options granted	-	-	-	-		
Common stock issued for accounts payable	4,669	-	-	-		
Sale of Series J Preferred Stock	-	-	-	-		
Preferred stock issued due to antidilution clauses of the Preferred Series C, F and G Subscribers	-	-	1,166,652	117		
Imputed interest expense related to related party note payable issued for recapitalization	-	-	-	-		
Comprehensive loss	-	-	-	-		
Net loss	-	-	-	-		
Balance, December 31, 2017	44,698	\$ 4	1,156,866	\$ 116	-	-
Sale of Preferred stock Series J	20,000	2				
Sale of Preferred stock Series L					30,000	3
Stock based compensation for options granted			-	-		
Imputed interest expense related to related party note payable issued for recapitalization	-	-	-	-		
Comprehensive income (loss)	-	-	-	-		
Net loss	-	-	-	-		
Balance, December 31, 2018	64,698	\$ 6	1,156,866	\$ 116	30,000	\$ 3

F-7

ORBITAL TRACKING CORP. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****FOR THE TWO YEARS ENDED DECEMBER 31, 2018**

	Common Stock \$0.0001 Par Value	
	Shares	Amount
Balance January 1, 2017	383,751	38
Preferred stock conversions to common	552,768	55
Stock-based compensation in connection with options granted	-	-
Common stock issued for accounts payable	-	-
Sale of Series J Preferred Stock	-	-
Preferred stock issued due to antidilution clauses of the Preferred Series C, F and G Subscribers	-	-
Imputed interest expense related to related party note payable issued for recapitalization	-	-
Comprehensive loss	-	-
Net loss	-	-
Balance, December 31, 2017	936,519	\$ 93
Sale of Preferred stock Series J	-	-
Sale of Preferred stock Series L	-	-
Stock based compensation for options granted	-	-
Imputed interest expense related to related party note payable issued for recapitalization	-	-
Comprehensive income (loss)	-	-
Net loss	-	-
Sale of Preferred stock Series J	-	-
Sale of Preferred stock Series L	-	-
Balance, December 31, 2018	936,519	\$ 93

See accompanying notes to consolidated financial statements.

ORBITAL TRACKING CORP. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****FOR THE TWO YEARS ENDED DECEMBER 31, 2018**

	Additional Paid in Capital	Accumulated Deficit	Comprehensive Income (Loss)	Stockholders' Equity
Balance January 1, 2017	\$6,941,510	\$(4,601,406)	\$ (32,941)	\$2,309,828
Preferred stock conversions to common	1,014			-
Stock-based compensation in connection with options granted	600,000			600,000
Common stock issued for accounts payable	46,694			46,694
Sale of Series J Preferred Stock	499,995			500,000
Preferred stock issued due to antidilution clauses of the Preferred Series C, F and G Subscribers	2,308,864			2,308,981
Imputed interest expense related to related party note payable issued for recapitalization	831			831
Comprehensive loss	-		32,541	32,541
Net loss	-	(3,939,309)		(3,939,309)
Balance, December 31, 2017	\$10,398,908	(8,540,715)	(400)	1,859,566
Sale of Preferred stock Series J	199,998			200,000
Sale of Preferred stock Series L	299,997			300,000
Stock based compensation for options granted	219,518			219,518
Imputed interest expense related to related party note payable issued for recapitalization	110			110
Comprehensive income (loss)	-		(5,772)	(5,772)
Net loss	-	(1,194,706)		(1,194,706)
				-
Balance, December 31, 2018	\$11,118,531	(9,735,421)	(6,172)	1,378,715

See accompanying notes to consolidated financial statements

ORBITAL TRACKING CORP. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS**

	For the Years Ended December 31,	
	2018	2017
Cash Flows From Operating Activities:		
Net loss	\$(1,194,706)	\$(3,939,309)
Adjustments to reconcile net loss to net cash used in operations		
Imputed interest	110	831
Amortization of intangible asset	25,000	25,000
Amortization of prepaid expense in connection with the issuance of common stock issued for prepaid services	-	161,164
Preferred stock-based price protection expense	-	2,308,981
Change in fair value of derivative liabilities	-	(1,237)
Depreciation expense	263,864	259,386
Stock-based compensation	219,518	600,000
Changes in operating assets and liabilities:		
Accounts receivable	123,970	(197,737)
Inventory	63,872	2,372
Prepaid expenses	80,528	(72,454)
Unbilled revenue	2,435	(35,171)
Other current assets	4,500	(18,372)
Accounts payable and accrued expenses	18,777	365,475
Provision for income taxes	(1,765)	12,461
Deferred revenue	(196,288)	213,365
Net Cash Used In Operating Activities	(590,185)	(315,245)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(30,331)	(33,193)
Net Cash Used In Investing Activities	(30,331)	(33,193)
Cash Flows From Financing Activities:		
Proceeds from issuance of preferred stock	500,000	500,000
Proceeds from (repayments to) related party, net	32,029	(60,455)
Net Cash Provided by Financing Activities	532,030	439,545
Effect of Exchange Rate on Cash	(1,952)	27,486
Net (Decrease) Increase in Cash	(90,438)	118,593
Cash at Beginning of Year	233,326	114,733

Explanation of Responses:

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Cash at End of Year	\$ 142,888	\$ 233,326
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$-	\$-
Cash paid for taxes	\$5,099	\$6,413
Non-Cash Financing and Investing Activity		
Issuance of preferred stock for price protection expense	\$-	\$2,308,981
Issuance of common stock for prepaid services	\$-	\$100,000
Issuance of common and preferred stock for accounts payable	\$-	\$46,694

F-10

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business

Orbital Tracking Corp. (the “Company”) was formerly Great West Resources, Inc., a Nevada corporation. The Company is a provider of satellite-based hardware, airtime and related services both in the United States and internationally. The Company’s principal focus is on growing the Company’s existing satellite-based hardware, airtime and related services business line and developing the Company’s own tracking devices for use by retail customers worldwide.

The Company was originally incorporated in 1997 in Florida. On April 21, 2010, the Company merged with and into a wholly-owned subsidiary for the purpose of changing its state of incorporation to Delaware, effecting a 2:1 forward split of its common stock, and changing its name to EClips Media Technologies, Inc. On April 25, 2011, the Company changed its name to Silver Horn Mining Ltd. pursuant to a merger with a wholly-owned subsidiary.

A wholly-owned subsidiary, Orbital Satcom Corp. (“Orbital Satcom”), a Nevada corporation was formed on November 14, 2014.

On March 28, 2014, the Company merged with and into a wholly-owned subsidiary of the Company (“Great West”) solely for the purpose of changing its state of incorporation to Nevada from Delaware (the “Reincorporation”), effecting a 1:150 reverse split of its common stock, and changing its name to Great West Resources, Inc. in connection with the plans to enter into the business of potash mining and exploration. During late 2014, the Company abandoned its efforts to enter the potash mining and exploration business. All references in the audited consolidated financial statements and notes thereto have been retroactively restated to reflect the reverse stock split of 1:150.

On the effective date of the Merger:

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- (a) Each share of the Company's Common Stock issued and outstanding immediately prior to the effective date changed and converted into 1/150th fully paid and non-assessable shares of Great West Common Stock;

- (b) Each share of the Company's Series A Preferred Stock issued and outstanding immediately prior to the effective date changed and converted into 1/150th fully paid and non-assessable shares of the Great West Series A Preferred Stock;

- (c) Each share of the Company's Series D Preferred Stock issued and outstanding immediately prior to the effective date changed and converted into 1/150th fully paid and non-assessable shares of the Great West Series B Preferred Stock;

- (d) All options to purchase shares of the Company's Common Stock issued and outstanding immediately prior to the effective date changed and converted into equivalent options to purchase 1/150th of a share of Great West Common Stock at an exercise price of \$0.0001 per share;

- (e) All warrants to purchase shares of the Company's Common Stock issued and outstanding immediately prior to the effective date changed and converted into equivalent warrants to purchase 1/150th of a share of Great West Common Stock at 150 times the exercise price of such converted warrants; and

- (f) Each share of Great West Common Stock issued and outstanding immediately prior to the Effective Date were canceled and returned to the status of authorized but unissued Great West Common Stock.

Global Telesat Communications Limited ("GTCL") was formed under the laws of England and Wales in 2008. On February 19, 2015, the Company entered into a share exchange agreement with GTCL and all of the holders of the outstanding equity of GTCL pursuant to which GTCL became a wholly-owned subsidiary of the Company.

F-11

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For accounting purposes, this transaction was accounted for as a reverse acquisition and has been treated as a recapitalization of the Company with GTCL considered the accounting acquirer, and the financial statements of the accounting acquirer became the financial statements of the registrant. The completion of the Share Exchange resulted in a change of control. The Share Exchange was accounted for as a reverse acquisition and re-capitalization. The GTCL shareholders obtained approximately 39% of voting control on the date of Share Exchange. GTCL was the acquirer for financial reporting purposes and the Company was the acquired company. The consolidated financial statements after the acquisition include the balance sheets of both companies at historical cost, the historical results of GTCL and the results of the Company from the acquisition date. All share and per share information in the accompanying consolidated financial statements and footnotes has been retroactively restated to reflect the recapitalization. See Note 10 - Stockholders Equity.

On March 8, 2018, our then-outstanding 140,224,577 shares of common stock outstanding were reduced by a reversed split for a ratio of 1 for 150. As of December 31, 2018, we have 936,519 shares of common stock issued and outstanding post-split. The number of authorized shares of our common stock will not be reduced by the reverse stock split. Accordingly, the reverse Stock split will have the effect of creating additional unissued and unreserved shares of our common stock. All share and per share, information in the accompanying consolidated financial statements and footnotes has been retroactively restated to reflect the reverse split. See Note 10 - Stockholders Equity.

Discontinued Operations

The Company's former operations were developing and manufacturing products and services, which reduce fuel costs, save power and energy and protect the environment. The products and services were made available for sale into markets in the public and private sectors. In December 2009, the Company discontinued these operations and disposed of certain of its subsidiaries, and prior periods have been restated in the Company's consolidated financial statements and related footnotes to conform to this presentation.

The remaining liabilities for discontinued operations are presented in the consolidated balance sheets under the caption "Liabilities of discontinued operation" and relates to the discontinued operations of developing and manufacturing of energy saving and fuel-efficient products and services. The carrying amounts of the major classes of these liabilities as of December 31, 2018 and 2017 are summarized as follows:

	December 31, 2018	December 31, 2017
Assets of discontinued operations	\$-	\$-
Liabilities		
Accounts payables and accrued expenses	\$(112,397)	\$(112,397)
Liabilities of discontinued operations	\$(112,397)	\$(112,397)

Basis of Presentation and Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The consolidated financial statements of the Company include the Company and its wholly-owned subsidiaries, Orbital Satcom Corp. and Global Telesat Communications Ltd. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the assumptions used to calculate stock-based compensation, derivative liabilities, preferred deemed dividend and common stock issued for services.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Company places its cash with a high credit quality financial institution. The Company’s account at this institution is insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounts receivable and allowance for doubtful accounts

The Company has a policy of reserving for questionable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are offset against sales and relieved from accounts receivable, after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2018, and 2017, there is an allowance for doubtful accounts of \$17,887 and \$431, respectively.

Foreign Currency Translation

The Company's reporting currency is U.S. Dollars. The accounts of one of the Company's subsidiaries, GTCL, is maintained using the appropriate local currency, Great British Pound, as the functional currency. All assets and liabilities are translated into U.S. Dollars at balance sheet date, shareholders' equity is translated at historical rates and revenue and expense accounts are translated at the average exchange rate for the year or the reporting period. The translation adjustments are reported as a separate component of stockholders' equity, captioned as accumulated other comprehensive (loss) gain. Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of operations.

The relevant translation rates are as follows: for the year ended December 31, 2018 closing rate at 1.274700 US\$: GBP, yearly average rate at 1.296229 US\$: GBP, for the year ended 2017 closing rate at 1.350291 US\$: GBP, average rate at 1.288190 US\$: GBP and for the year ended 2016 closing rate at 1.350291 US\$: GBP, average rate at 1.288190 US\$: GBP and for the year ended 2016 closing rate at 1.2345 US\$: GBP, average rate at 1.35585 US\$: GBP.

Revenue Recognition

The Company recognizes revenue from satellite services when earned, as services are rendered or delivered to customers. Equipment sales revenue is recognized when the equipment is delivered to and accepted by the customer.

Only equipment sales are subject to warranty. Historically, the Company has not incurred significant expenses for warranties. Equipment sales which have been prepaid, before the goods are shipped are recorded as deferred revenue and once shipped is recognized as revenue. The Company also records as deferred revenue, certain annual plans for airtime, which are paid in advance. Once airtime services are incurred, they are recognized as revenue. Unbilled revenue is recognized for airtime plans whereby the customer is invoiced for its data usage the following month after services are incurred.

The Company's customers generally purchase a combination of our products and services as part of a multiple element arrangement. The Company's assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment. This assessment has a significant impact on the amount and timing of revenue recognition.

Revenue is recognized when all of the following criteria have been met:

Persuasive evidence of an arrangement exists. Contracts and customer purchase orders are generally used to determine the existence of an arrangement.

Delivery has occurred. Shipping documents and customer acceptance, when applicable, are used to verify delivery

The fee is fixed or determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment

Collectability is reasonably assured. We assess collectability based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

F-13

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In accordance with ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedient*, which is to (1) clarify the objective of the collectability criterion for applying paragraph 606-10-25-7; (2) permit an entity to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price; (3) specify that the measurement date for noncash consideration is contract inception; (4) provide a practical expedient that permits an entity to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations; (5) clarify that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application, and (6) clarify that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. There was no impact as a result of adopting this ASU on the financial statements and related disclosures. Based on the terms and conditions of the product arrangements, the Company believes that its products and services can be accounted for separately as its products and services have value to the Company's customers on a stand-alone basis. When a transaction involves more than one product or service, revenue is allocated to each deliverable based on its relative fair value; otherwise, revenue is recognized as products are delivered or as services are provided over the term of the customer contract.

Cost of Product Sales and Services

Cost of sales consists primarily of materials, airtime and overhead costs incurred internally and amounts incurred to contract manufacturers to produce our products, airtime and other implementation costs incurred to install our products and train customer personnel, and customer service and third-party original equipment manufacturer costs to provide continuing support to our customers. There are certain costs which are deferred and recorded as prepaids, until such revenue is recognized. Refer to revenue recognition above as to what constitutes deferred revenue.

Shipping and handling costs are included as a component of costs of product sales in the Company's consolidated statements of operations because the Company includes in revenue the related costs that the Company bills its customers.

Inventories

Explanation of Responses:

Inventories are valued at the lower of cost or net realizable value, using the first-in first-out cost method. The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete or in excess of the Company's forecasted usage to their estimated net realizable value. The Company estimates the net realizable value of such inventories based on analysis and assumptions including, but not limited to, historical usage, expected future demand and market requirements. A change to the carrying value of inventories is recorded to cost of goods sold.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, Inventory (Topic 330): *Simplifying the Measurement of Inventory*. ASU 2015-11 requires that inventory within the scope of this Update be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this Update do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. For all entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. This guidance has not had a material impact upon our financial condition or results of operations as of December 31, 2018.

Prepaid expenses

Prepaid expenses amounted to \$1,926 and \$82,454 at December 31, 2018 and 2017, respectively. Prepaid expenses include prepayments in cash for accounting fees, prepayments in equity instruments and license fees which are being amortized over the terms of their respective agreements and product costs associated with deferred revenue. The current portion consists of costs paid for future services which will occur within a year.

Intangible assets

Intangible assets include customer contracts purchased and recorded based on the cost to acquire them. These assets are amortized over 10 years. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill and other intangible assets

In accordance with ASC 350-30-65, “Intangibles - Goodwill and Others”, the Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors the Company considers to be important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an impairment charge. The Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows. The Company did not consider it necessary to record any impairment charges during the years ended December 31, 2018 and 2017 respectively.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation. Depreciation is based on the estimated service lives of the depreciable assets and is calculated using the straight-line method. Expenditures that increase the value or productive capacity of assets are capitalized. Fully depreciated assets are retained in the property and equipment, and accumulated depreciation accounts until they are removed from service. When property and equipment are retired, sold or otherwise disposed of, the asset’s carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Repairs and maintenance are expensed as incurred.

The estimated useful lives of property and equipment are generally as follows:

	Years
Office furniture and fixtures	4
Computer equipment	4
Rental equipment	4
Appliques	10
Website development	2

Fair value of financial instruments

The Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, “Fair Value Measurements and Disclosures”, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing US GAAP that require the use of fair value measurements which establishes a framework for measuring fair value and expands disclosure about such fair value measurements.

F-15

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable input (Level 3) from January 1, 2017 to December 31, 2018:

	Warrant liability
Balance at January 1, 2017	\$ 1,237
Change in fair value included in earnings	(1,237)
Balance at December 31, 2017	-
Change in fair value included in earnings	-
Balance at December 31, 2018	\$-

The Company did not identify any other assets or liabilities that are required to be presented on the consolidated balance sheets at fair value in accordance with the accounting guidance. The carrying amounts reported in the balance sheet for cash, accounts payable, and accrued expenses approximate their estimated fair market value based on the short-term maturity of the instruments.

Stock Based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the “measurement date.” The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

Income Taxes

The Company accounts for income taxes pursuant to the provision of ASC 740-10, “Accounting for Income Taxes” (“ASC 740-10”) which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach require the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provision of ASC 740-10 related to Accounting for Uncertain Income Tax Positions. When tax returns are filed, there may be uncertainty about the merits of positions taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

Tax positions that meet the more likely than not recognition threshold is measured at the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefit associated with tax positions taken that exceed the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company believes its tax positions are all more likely than not to be upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The Company has adopted ASC 740-10-25, “Definition of Settlement”, which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

Research and Development

The Company accounts for research and development costs in accordance with the Accounting Standards Codification subtopic 730-10, Research and Development (“ASC 730-10”). Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. On February 19, 2015, the Company issued 6,667 of its common stock, par value \$0.0001, at \$7.50 per share, or \$50,000, to a consultant as compensation for the design and delivery of dual mode gsm/Globalstar Simplex tracking devices and related hardware and intellectual property. We spent \$0 in the fiscal years ending December 31, 2018 and December 31, 2017 on research and development.

Presentation of Financial Statements—Going Concern

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements—Going Concern.” The provisions of ASU No. 2014-15 require management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management’s plans, (4)

require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter.

Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and all changes to the statements of stockholders' equity. For the Company, comprehensive loss for the years ended December 31, 2018 and 2017 included net loss and unrealized losses from foreign currency translation adjustments.

Earnings per Common Share

Net income (loss) per common share is calculated in accordance with ASC Topic 260: Earnings per Share ("ASC 260"). Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net loss per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. In periods where the Company has a net loss, all dilutive securities are excluded.

F-17

ORBITAL TRACKING CORP. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following are dilutive common stock equivalents during the year ended:

	December 31, 2018	December 31, 2017
Convertible preferred stock	2,214,729	2,006,399
Stock Options	1,185,667	285,667
Stock Warrants	60,000	-
Total	3,460,396	2,292,066

Recent Accounting Pronouncements

In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedient*, which is to (1) clarify the objective of the collectability criterion for applying paragraph 606-10-25-7; (2) permit an entity to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price; (3) specify that the measurement date for noncash consideration is contract inception; (4) provide a practical expedient that permits an entity to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations; (5) clarify that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application, and (6) clarify that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. There was no impact as a result of adopting this ASU on the financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective in the first quarter of fiscal 2019. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The objective of this ASU is to eliminate the diversity in practice related to the classification of restricted cash or restricted cash equivalents in the statement of cash flows. For public business entities, this ASU is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted. The amendments in this update have been applied retrospectively to all periods presented. The Company adopted this standard on January 1, 2018 and does not have a material impact on the Company's financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting* (ASU 2016-09), which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718, such as the repricing of share options, which would revalue those options and the accounting for the cancellation of an equity award whether a replacement award or other valuable consideration is issued in conjunction with the cancellation. If not, the cancellation is viewed as a replacement and not a modification, with a repurchase price of 0. This pronouncement is effective for annual reporting periods beginning after December 15, 2017. The Company adopted this standard on January 1, 2018 and does not have a material impact on the Company's financial statements.

In July 2017, the FASB issued ASU No. 2017-11, *Earnings Per Share, Distinguishing Liabilities from Equity and Derivatives and Hedging*, which changes the accounting and earnings per share for certain instruments with down round features. The amendments in this ASU should be applied using a cumulative-effect adjustment as of the beginning of the fiscal year or retrospective adjustment to each period presented and is effective for annual periods beginning after December 15, 2018, and interim periods within those periods. The Company is currently evaluating the requirements of this new guidance and has not yet determined its impact on the Company's consolidated financial statements.

F-18

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 22, 2017 the SEC staff issued Staff Accounting Bulletin 118 (SAB 118), which provides guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (the TCJA). SAB 118 provides a measurement period that should not extend beyond one year from the enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the TCJA for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the TCJA is incomplete but for which they are able to determine a reasonable estimate, it must record a provisional amount in the financial statements. Provisional treatment is proper in light of anticipated additional guidance from various taxing authorities, the SEC, the FASB, and even the Joint Committee on Taxation. If a company cannot determine a provisional amount to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the TCJA. The Company has applied this guidance to its consolidated financial statements.

In November 2018, the FASB amended Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 with *ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842*; *ASU No. 2018-10, Codification Improvements to Topic 842, Leases*; and *ASU No. 2018-11, Targeted Improvements*. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The new standard is effective for us on January 1, 2019, with early adoption permitted. We expect to adopt the new standard on its effective date. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. We expect to adopt the new standard on January 1, 2019 and use the effective date as our date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. We do not expect that this standard will have a material effect on our financial statements as the company has not recorded any lease obligations. While we continue to assess all of the effects of adoption, we do not expect a significant change in our leasing activities between now and adoption.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

NOTE 2 - GOING CONCERN CONSIDERATIONS

The accompanying consolidated financial statements are prepared assuming the Company will continue as a going concern. At December 31, 2018, the Company had an accumulated deficit of approximately \$9,735,421, negative working capital of approximately \$341,130 and net loss of approximately \$1,194,706 during the year ended December 31, 2018. These factors raise substantial doubt about the Company's ability to continue as a going concern for one year from the issuance of the financial statements. The ability of the Company to continue as a going concern is dependent upon obtaining additional capital and financing. Management intends to attempt to raise additional funds by way of a public or private offering. While the Company believes in the viability of its strategy to raise additional funds, there can be no assurances to that effect. The consolidated financial statements do not include any adjustments relating to classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

F-19

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – INVENTORIES

At December 31, 2018 and 2017, inventories consisted of the following:

	December 31, 2018	December 31, 2017
Finished goods	\$269,024	\$332,895
Less reserve for obsolete inventory	-	-
Total	\$269,024	\$332,895

For the years ended December 31, 2018 and 2017, the Company did not make any change for reserve for obsolete inventory and deemed unnecessary.

NOTE 4 – PREPAID EXPENSES

Prepaid expenses amounted to \$1,926 and \$82,454 at December 31, 2018 and 2017, respectively. Prepaid expenses include prepayments in cash for accounting fees, prepayments in equity instruments, which are being amortized over the terms of their respective agreements, as well as cost associated with certain deferred revenue. The current portion consists of costs paid for future services which will occur within a year.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

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	December 31, 2018	December 31, 2017
Office furniture and fixtures	\$76,907	\$81,467
Computer equipment	30,678	29,894
Rental equipment	66,090	40,298
Appliques	2,160,096	2,160,096
Website development	23,061	23,776
Less accumulated depreciation	(836,987)	(578,331)
Total	\$1,519,845	\$1,757,200

Depreciation expense was \$263,864 and \$259,386 for the years ended December 31, 2018 and 2017, respectively.

NOTE 6 – INTANGIBLE ASSETS

On December 10, 2014, the Company entered the satellite voice and data equipment sales and service business through the purchase of certain contracts from Global Telesat Corp., (“GTC”). These contracts permit the Company to utilize the Globalstar, Inc. and Globalstar LLC (collectively, “Globalstar”) mobile satellite voice and data network. The purchase price for the contracts of \$250,000 was paid by the Company under an asset purchase agreement by and among the Company, its wholly-owned subsidiary Orbital Satcom, GTC and World Surveillance Group, Inc.

Included in the purchased assets are: (i) the rights and benefits granted to GTC under each of the Globalstar Contracts, subject to certain exclusions, (ii) account and online access to the Globalstar Cody Simplex activation system, (iii) GTC’s existing customers who are serviced pursuant to the Globalstar Contracts (only as to their business directly and exclusively related to the Globalstar Contracts), and (iv) all of GTC’s rights and benefits directly and exclusively related to the Globalstar Contracts.

F-20

ORBITAL TRACKING CORP. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Amortization of customer contracts are included in depreciation and amortization. For the year ended December 31, 2018, the Company amortized \$25,000. Future amortization of intangible assets is as follows:

2019	\$25,000
2020	25,000
2021	25,000
2022	25,000
2023 and thereafter	50,000
Total	\$ 150,000

On February 19, 2015, the Company issued 6,667 of its common stock, par value \$0.0001, at \$7.50 per share, or \$50,000, to a consultant as compensation for the design and delivery of dual mode gsm/Globalstar Simplex tracking devices and related hardware and intellectual property.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED OTHER LIABILITIES

Accounts payable and accrued other liabilities consisted of the following:

	December 31, 2018	December 31, 2017
Accounts payable	\$ 625,157	\$ 659,285
Rental deposits	22,991	22,303
Customer deposits payable	37,099	27,792
Accrued wages & payroll liabilities	14,807	15,902
Property tax payable	31,955	-
VAT liability & sales tax payable	47,875	36,537
Pre-merger accrued other liabilities	65,948	65,948
Accrued other liabilities	28,634	27,920
Total	\$ 874,466	\$ 855,687

Explanation of Responses:

NOTE 9 – DERIVATIVE LIABILITIES

In June 2008, a FASB approved guidance related to the determination of whether a freestanding equity-linked instrument should be classified as equity or debt under the provisions of FASB ASC Topic No. 815-40, Derivatives and Hedging – Contracts in an Entity’s Own Stock. The adoption of this requirement will affect accounting for convertible instruments and warrants with provisions that protect holders from declines in the stock price (“down-round” provisions). Warrants with such provisions are no longer recorded in equity and are reclassified as a liability.

Instruments with down-round protection are not considered indexed to a company’s own stock under ASC Topic 815, because neither the occurrence of a sale of common stock by the company at market nor the issuance of another equity-linked instrument with a lower strike price is an input to the fair value of a fixed-for-fixed option on equity shares.

The Company has recognized derivative liabilities for warrants as a result of its recapitalization on February 19, 2015, of \$0 and \$1,237 at December 31, 2018 and December 31, 2017, respectively. The warrants expired in May of 2017. The gain resulting from the decrease in fair value of this convertible instrument was \$0 and \$1,237 for the years ended December 31, 2018 and 2017, respectively.

	Warrant liability
Balance at January 1, 2017	\$ 1,237
Change in fair value included in earnings	(1,237)
Balance at December 31, 2017	-
Change in fair value included in earnings	-
Balance at December 31, 2018	\$-

F-21

ORBITAL TRACKING CORP. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company used the following assumptions for determining the fair value of the convertible instruments granted under the Black-Scholes option pricing model:

	December 31, 2018	December 31, 2017	
Expected volatility	-	263.35	%
Expected term - years	-	0.35	
Risk-free interest rate	-	1.22	%
Expected dividend yield	-	-	

NOTE 10 – STOCKHOLDERS’ EQUITY*Capital Structure*

On March 28, 2014, in connection with the Reincorporation (see Note 1), all share and per share values for all periods presented in the accompanying consolidated financial statements are retroactively restated for the effect of the Reincorporation.

The authorized capital of the Company consists of 750,000,000 shares of common stock, par value \$0.0001 per share and 50,000,000 shares of preferred stock, par value \$0.0001 per share, as of December 31, 2018. On March 5, 2016, the Company shareholders voted in favor of an amendment to its Articles of Incorporation to increase the total number of shares of authorized capital stock to 800,000,000 shares consisting of (i) 750,000,000 shares of common stock and (ii) 50,000,000 shares of preferred stock from 220,000,000 shares consisting of (i) 200,000,000 shares of common stock and (ii) 20,000,000 shares of preferred stock.

Effective March 8, 2018, we conducted a reverse split of our common stock at a ratio of 1 for 150. All share and per share, information in the accompanying consolidated financial statements and footnotes has been retroactively restated to reflect the reverse split.

Preferred Stock

As of December 31, 2018, there were 50,000,000 shares of Preferred Stock authorized. On March 6, 2016, the Company's shareholders increased the authorized shares of its preferred stock to 50,000,000 from 20,000,000.

On December 5, 2017, pursuant to the approval of our board of directors and a majority of the shareholders in each class, we amended the Certificates of Designation for our Series C, D, E, H, I, J, and K Preferred Stock. The amendments changed the conversion rights of these classes of preferred stock such that the Maximum Conversion as defined in each such Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

Series A Convertible Preferred Stock

On March 28, 2014, in connection with the merger with and into the Company's former subsidiary Great West Resources, Inc., each issued and outstanding share of the Company's Series A Convertible Preferred Stock, par value \$0.0001 per share, was converted into 1/150th shares of Series A Convertible Preferred Stock, par value \$0.0001 per share, for a total of 20,000 issued and outstanding shares of Series A Convertible Preferred Stock. Pursuant to the Series A Certificate of Designation, the Company designated 20,000 shares of its blank check preferred stock as Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock is convertible into 1/150th share each of our common stock, subject to equitable adjustments after such events as stock dividends, stock splits or fundamental corporate transactions. The holders of our Series A Convertible Preferred Stock are entitled to 250 votes for each share of Series A Convertible Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record date is established, at the date such vote is taken, or any written consent of shareholders is solicited. In the event of a liquidation, dissolution or winding up of our business, the holder of the Series A Convertible Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series A Convertible Preferred Stock's preferential payment and over our common stock.

As of December 31, 2018, and 2017, 20,000 shares of Series A Convertible Preferred Stock, \$0.0001 par value were authorized with none issued and outstanding.

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Series B Convertible Preferred Stock

On March 28, 2014, in connection with the merger with and into the Company's former subsidiary Great West Resources, Inc., each issued and outstanding share of the Company's Series D Convertible Preferred Stock, par value \$0.0001 per share, was converted into 1/150th shares of Series B Convertible Preferred Stock, par value \$0.0001 per share, for a total of 6,666 issued and outstanding shares of Series B Convertible Preferred Stock. Pursuant to the Series B Certificate of Designation, the Company designated 30,000 shares of its blank check preferred stock as Series B Convertible Preferred. Each share of Series B Convertible Preferred Stock has a stated value of \$0.0001 per share.

In the event of a liquidation, dissolution or winding up of the Company, the holder of the Series B Convertible Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series B Convertible Preferred Stock's preferential payment and over our common stock. The Series B Convertible Preferred Stock is convertible into 5/150th shares of the Company's common stock. The Company is prohibited from effecting the conversion of the Series B Convertible Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 9.99%, in the aggregate, of the issued and outstanding shares of common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series B Convertible Preferred Stock. Each share of Series B Convertible Preferred Stock entitles the holder to vote on all matters voted on by holders of common stock as a single class. With respect to any such vote, each share of Series B Convertible Preferred Stock entitles the holder to cast 1/150th votes per share of Series B Convertible Preferred Stock owned at the time of such vote, subject to the 9.99% beneficial ownership limitation.

As of December 31, 2018 and 2017, 30,000 shares of Series B Convertible Preferred Stock, \$0.0001 par value were authorized with 3,333 issued, outstanding and convertible into 111 shares of common stock, without regard to beneficial ownership limitations.

Series C Convertible Preferred Stock

On October 10, 2014, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation for the Series C Convertible Preferred Stock, setting forth the rights, powers, and preferences of the Series C Convertible Preferred Stock. Pursuant to the Series C Certificate of Designation, as amended on February 19, 2015, the Company designated 4,000,000 shares of its blank check preferred stock as Series C Convertible Preferred

Stock. Each share of Series C Convertible Preferred Stock has a stated value equal to its par value of \$0.0001 per share. In the event of a liquidation, dissolution or winding up of the Company, the holder of the Series C Convertible Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series C Convertible Preferred Stock's preferential payment and over our common stock. The Series C Convertible Preferred is convertible into 10/150th shares of the Company's common stock. The Company is prohibited from effecting the conversion of the Series C Convertible Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 4.99%, in the aggregate, of the issued and outstanding shares of common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series C Convertible Preferred. Each share of Series C Convertible Preferred Stock entitles the holder to vote on all matters voted on by holders of common stock as a single class. With respect to any such vote, each share of Series C Convertible Preferred entitles the holder to cast 10/150th votes per share of Series C Convertible Preferred Stock owned at the time of such vote, subject to the 4.99% beneficial ownership limitation. On December 5, 2017, pursuant to the approval of our board of directors and a majority of the shareholders in each class, we increased the maximum conversion limit from 4.99% to 9.99%.

On February 19, 2015, the Company filed an amendment to the Certificate of Designation of Rights and Preferences of its Series C Convertible Preferred Stock, increasing the authorized shares of Series C Convertible Preferred Stock to 4,000,000 from 3,000,000.

F-23

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As per the Certificate of Designation, for Convertible Preferred Series C Stock, other than in connection with Excepted Issuances, if at any time during the period beginning on the Closing Date of the Convertible Preferred Series C Stock subscription and ending two (2) years thereafter, the Company shall issue any Common Stock or securities convertible into or exercisable for shares of Common Stock (or modify any of the foregoing which may be outstanding) to any person or entity at conversion ratio per share which shall be less than 10/150th or 0.0667 per share, as of February 19, 2015, (the “Lower Price Issuance”), then the Company shall issue such additional Units such that the Subscriber shall hold that number of Units, in total, had such Subscriber purchased the Units with the same conversion ratio to the Lower Price Issuance. On October 28, 2016, the Company entered into separate subscription with accredited investors relating to the issuance and sale of \$350,000, of shares of Series H convertible preferred stock at a conversion ratio of 100/150th or 0.6667 per share. The Company is required to issue to certain prior investors an aggregate of 550,000 shares of Series C Convertible Preferred Stock, which is convertible into an aggregate of 36,667 shares of the Company’s common stock.

On May 31, 2017, the Company issued to a vendor as settlement of Preferred Series C Stock issued for services, 76,763 shares of Series K Preferred Stock, convertible into 51,175 shares of common stock, in lieu of Series C Preferred Stock.

On December 5, 2017, the board of directors and a majority of the shareholders for the respective class of preferred shares, amended the Certificates of Designation for Series C Preferred Stock. The amendments changed the conversion rights of the class of preferred stock such that the Maximum Conversion as defined in the Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

As of December 31, 2018 and 2017, 4,000,000 shares of Series C Convertible Preferred Stock, \$0.0001 par value were authorized; with 1,913,676 and issued, outstanding, and convertible into 127,578 shares of common stock, without respect to beneficial ownership conversion limitations.

As of December 31, 2018, all price protection rights, “Lower Price Issuance” have expired.

Series D Convertible Preferred Stock

On October 15, 2014, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation for the Series D Convertible Preferred Stock, setting forth the rights, powers, and preferences of the Series D Convertible Preferred Stock. Pursuant to the Series D Certificate of Designation, the Company designated 5,000,000 shares of its blank check preferred stock as Series D Convertible Preferred Stock. Each share of Series D Convertible Preferred Stock has a stated value equal to its par value of \$0.0001 per share. In the event of a liquidation, dissolution or winding up of the Company, the holder of the Series D Convertible Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series D Convertible Preferred Stock's preferential payment and over our common stock. The Series D Convertible Preferred is convertible into 20/150th shares of the Company's common stock. The Company is prohibited from effecting the conversion of the Series D Convertible Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 4.99%, in the aggregate, of the issued and outstanding shares of common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series D Convertible Preferred Stock.

Each share of Series D Convertible Preferred Stock entitles the holder to vote on all matters voted on by holders of common stock as a single class. With respect to any such vote, each share of Series D Convertible Preferred Stock entitles the holder to cast 20/150th votes per share of Series D Convertible Preferred Stock owned at the time of such vote, subject to the 4.99% beneficial ownership limitation.

On December 5, 2017, the board of directors and a majority of the shareholders for the respective class of preferred shares, amended the Certificates of Designation for Series D Preferred Stock. The amendments changed the conversion rights of the class of preferred stock such that the Maximum Conversion as defined in the Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

As of December 31, 2018 and 2017, there were 5,000,000 shares of Series D Convertible Preferred Stock authorized; 2,892,109 issued, outstanding and convertible into 385,615 shares of common stock, without regard to beneficial ownership conversion limitations.

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Series E Convertible Preferred Stock

On February 19, 2015, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation for the Series E Convertible Preferred Stock, setting forth the rights, powers, and preferences of the Series E Convertible Preferred Stock. Pursuant to the Series E Certificate of Designation, the Company designated 8,746,000 shares of its blank check preferred stock as Series E Convertible Preferred Stock. Each share of Series E Convertible Preferred Stock has a stated value equal to its par value of \$0.0001 per share. In the event of a liquidation, dissolution or winding up of the Company, the holder of the Series E Convertible Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series E Convertible Preferred Stock's preferential payment and over our common stock. The Series E Convertible Preferred Stock is convertible into 10/150th shares of the Company's common stock. The Company is prohibited from effecting the conversion of the Series E Convertible Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 9.99%, in the aggregate, of the issued and outstanding shares of common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series E Convertible Preferred Stock. Each share of Series E Convertible Preferred Stock entitles the holder to vote on all matters voted on by holders of common stock as a single class. With respect to any such vote, each share of Series E Convertible Preferred Stock entitles the holder to cast 10/150th votes per share of Series E Convertible Preferred Stock owned at the time of such vote, subject to the 4.99% beneficial ownership limitation.

On February 19, 2015, the Company entered into a share exchange agreement with Global Telesat Communications Limited, a Private Limited Company formed under the laws of England and Wales ("GTCL") and all of the holders of the outstanding equity of GTCL (the "GTCL Shareholders"). Upon closing of the transactions contemplated under the share exchange agreement, the GTCL Shareholders transferred all of the issued and outstanding equity of GTCL to the Company in exchange for (i) an aggregate of 16,933 shares of the common stock of the Company and 8,746,000 shares of the newly issued Series E Preferred Stock of the Company with each share of Series E Preferred Stock convertible into 10/150th shares of common stock, (ii) a cash payment of \$375,000 and (iii) a one-year promissory note in the amount of \$122,536. Such exchange caused GTCL to become a wholly owned subsidiary of the Company.

On December 5, 2017, the board of directors and a majority of the shareholders for the respective class of preferred shares, amended the Certificates of Designation for Series E Preferred Stock. The amendments changed the conversion rights of the class of preferred stock such that the Maximum Conversion as defined in the Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

As of December 31, 2018 and 2017, there were 8,746,000 shares of Series E Convertible Preferred Stock authorized; 5,174,200 issued, outstanding and convertible into 344,947 shares of common stock, without regard to beneficial ownership conversion limitations.

Series F Convertible Preferred Stock

On December 28, 2015, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation for the Series F Convertible Preferred Stock, setting forth the rights, powers, and preferences of the Series F Convertible Preferred Stock. Pursuant to the Series F Certificate of Designation, each Series F Convertible Preferred Stock are convertible into 1/150th or 0.0067, shares of common stock. The stated value of each Series F Convertible Preferred Stock is \$0.50, the conversion ratio is subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. The Company is prohibited from effecting a conversion of the Series F Convertible Preferred Stock Shares to the extent that, as a result of such conversion, such investor would beneficially own more than 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of the Series F Convertible Preferred Stock. On December 5, 2017, pursuant to the approval of our board of directors and a majority of the shareholders in each class, we increased the maximum conversion limit from 4.99% to 9.99%. Each Series F Convertible Preferred Stock Share entitles the holder to vote on all matters voted on by holders of common stock as a single class. With respect to any such vote, each Series F Convertible Preferred Stock Share entitles the holder to cast 1/150th or 0.0067 vote per share of Series F Convertible Preferred Stock, owned at the time of such vote subject to the 4.99% beneficial ownership limitation. Prior to December 31, 2018, in the event the Company issues securities at a per share price less than the conversion price for a period of two years from the closing, each holder will be entitled to receive from the Company additional shares of common stock such that the holder shall hold that number of conversion shares, in total, had such holder purchased the Series F Convertible Preferred Stock with a conversion price equal to the lower price issuance.

F-25

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 28, 2015, the Company entered into separate subscription agreements with accredited investors relating to the issuance and sale of \$550,000 of 1,099,998 shares of Series F Convertible Preferred Stock at a purchase price of \$0.50 per share.

On October 28, 2016, issued to certain prior investors of Series F Convertible Preferred Stock an aggregate of 91,944 shares of Series I Convertible Preferred stock which is convertible into an aggregate of 61,296 shares of the Company's common stock in relation to the subscription of the issuance and sale of \$350,000, of shares of Series H convertible preferred stock at a purchase price of \$4.00 per share and the initial conversion ratio of 1/150th or 0.0667 a share each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. The conversion ratio which is less than 1/150th or 0.0667, a share then the Company shall issue such additional Units such that the Subscriber shall hold that number of Units, in total, had such Subscriber purchased the Units with the same conversion ratio equal to the Lower Price Issuance. As of December 31, 2018, all such price protection obligations or "Lower Price Issuance" have expired.

On December 5, 2017, the board of directors and a majority of the shareholders for the respective class of preferred shares, amended the Certificates of Designation for Series F Preferred Stock. The amendments changed the conversion rights of the class of preferred stock such that the Maximum Conversion as defined in the Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

As of December 31, 2018 and 2017, 1,100,000 Series F Convertible Preferred Stock shares were authorized; 349,999 shares of Series F Convertible Preferred Stock were issued, outstanding and convertible into 2,333 shares of common stock, without regard to beneficial ownership limitations.

Series G Preferred Stock

On May 17, 2016, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation for the Series G Preferred Stock, setting forth the rights, powers, and preferences of the Series G Preferred Stock. Pursuant to the Series G Certificate of Designation, the Company designated 10,090,000 shares of its blank check preferred stock as Series G Preferred Stock (the "Preferred G Shares"), which are convertible into 1/150th or 0.0067 shares, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. The Company is prohibited from effecting a conversion of the Preferred G Shares to the extent

that, as a result of such conversion, such investor would beneficially own more than 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of the Preferred G Shares. Each Preferred G Share entitles the holder to vote on all matters voted on by holders of common stock as a single class. With respect to any such vote, each Preferred G Share entitles the holder to cast one vote per share of Series G Preferred Stock owned at the time of such vote subject to the 4.99% beneficial ownership limitation.

On October 28, 2016, the Company issued to certain prior investors of Series G Preferred Convertible Shares an aggregate of 23,000 shares convertible Series I Preferred, which is convertible into an aggregate of 15,333 shares of the Company's common stock in relation to the subscription of the issuance and sale of Series H Convertible Preferred Stock \$350,000, of shares of at a purchase price of \$0.05 per share. Each share of Series H Preferred is convertible into 1/150th or 0.0067 a share. The conversion ratio per share which is less than 0.0067 of a share, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events, then the Company shall issue such additional Units such that the Subscriber shall hold that number of Units, in total, had such Subscriber purchased the Units with the same conversion ratio to the Lower Price Issuance. As of December 31, 2018, there are no longer any Lower Price Issuance price protection in effect.

F-26

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 5, 2017, the board of directors and a majority of the shareholders for the respective class of preferred shares, amended the Certificates of Designation for Series G Preferred Stock. The amendments changed the conversion rights of the class of preferred stock such that the Maximum Conversion as defined in the Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

As of December 31, 2018 and 2017, there were 10,090,000 shares authorized and 5,202,602 shares of Series G Convertible Preferred Stock issued, outstanding and convertible into 34,684 shares of common stock, without regard to the beneficial ownership limitations.

Series H Preferred Stock

On October 13, 2016, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation for the Series H Preferred Stock, setting forth the rights, powers, and preferences of the Series H Preferred Stock. Pursuant to the Series H Certificate of Designation, the Company designated 200,000 shares of its blank check preferred stock as Series H Preferred Stock (the "Preferred H Shares"), each share of Series H Preferred is convertible into 100/150th or 0.6667 shares of common stock, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events, as subject to adjustment as set forth in the Preferred Series H Certificate of Designation. The Company is prohibited from effecting a conversion of the Series H Preferred Shares to the extent that, as a result of such conversion, the investor would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding, immediately after giving effect to the issuance of shares of common stock upon conversion of the Series H Preferred Stock. Each Preferred Series H Share entitles the holder to cast 100/150th vote per share of Series H Preferred Stock owned as of the record date for the determination of shareholders entitled to vote, subject to the 4.99% beneficial ownership limitation.

On December 5, 2017, the board of directors and a majority of the shareholders for the respective class of preferred shares, amended the Certificates of Designation for Series H Preferred Stock. The amendments changed the conversion rights of the class of preferred stock such that the Maximum Conversion as defined in the Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

As of December 31, 2018 and 2017, there were 200,000 shares authorized; par value \$0.0001, and 13,741 shares of Series H Preferred Stock issued and outstanding convertible into up to 9,161 shares of common stock without regard

to the beneficial ownership limitation.

Series I Preferred Stock

On October 13, 2016, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation for the Series I Preferred Stock, setting forth the rights, powers, and preferences of the Series I Preferred Stock. Pursuant to the Series I Certificate of Designation, the Company designated 114,944 shares of its blank check preferred stock as Series I Preferred Stock, each of which is convertible into 100/150th shares of common stock. The Company is prohibited from effecting a conversion of the Series I Preferred Shares to the extent that, as a result of such conversion, the investor would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Series I Preferred Stock. Each Preferred I Share entitles the holder to cast 100/150th vote per share of Series I Preferred Stock owned as of the record date for the determination of shareholders entitled to vote, subject to the 4.99% beneficial ownership limitation.

On December 5, 2017, the board of directors and a majority of the shareholders for the respective class of preferred shares, amended the Certificates of Designation for Series I Preferred Stock. The amendments changed the conversion rights of the class of preferred stock such that the Maximum Conversion as defined in the Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

As of December 31, 2018 and 2017, there were 114,944 shares authorized and 49,110 shares of Series I Convertible Preferred Stock issued and outstanding, convertible into up to 32,739 shares of common stock without regard to the beneficial ownership limitation.

F-27

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Series J Preferred Stock

On May 31, 2017, the Company entered separate subscription agreements with accredited investors relating to the issuance and sale of 50,000 of shares of Series J Preferred Stock at a purchase price of \$10.00 per share, as well as, the issuance of 4,669 shares of Series J Preferred Stock for accounts payable of \$46,694. Each share of Preferred Series J is convertible into 6.6667 shares of the company's common stock, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events, as subject to adjustment as set forth in the Series J certificate of designation. The Company is prohibited from effecting a conversion of the Series J Preferred Stock to the extent that, because of such conversion, the investor would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Series J Preferred Stock. Each share of Series J Preferred Stock entitles the holder to cast 1/150th vote per share of Series J Preferred Stock owned as of the record date for the determination of shareholders entitled to vote, subject to the 4.99% beneficial ownership limitation. The Company received the necessary consents as required from prior subscription agreements, Series F Preferred Stock, Series G Preferred Stock and Preferred Series H Preferred Stock, as well as antidilution rights. The Company was required to issue 1,089,389 shares of Series K Preferred Stock, which is convertible into 726,259 shares of the Company's common stock, to the certain holders for the consent and anti-dilution rights. In addition, the Company issued to a vendor as settlement of Preferred Series C Stock issued for services, 76,763 shares of Series K Preferred Stock, convertible into 51,175 shares of common stock, in lieu of Series C Preferred Stock. The additional issuances for the consent, anti-dilution rights and settlement, resulted in the recording of other expense and additional paid in capital of \$2,308,981. As of December 31, 2018, all price protection rights, "Lower Price Issuance" have expired

On December 5, 2017, the board of directors and a majority of the shareholders for the respective class of preferred shares, amended the Certificates of Designation for Series J Preferred Stock. The amendments changed the conversion rights of the class of preferred stock such that the Maximum Conversion as defined in the Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

On May 10, 2018, we issued 20,000 shares of our Series J Preferred Stock at their stated value of \$10.00 per share to one investor, for total proceeds of \$200,000. Our Series J Preferred Stock is currently convertible to common stock at a price of \$1.50 per share and votes on an as-converted basis, subject to certain conversion limitations.

As of December 31, 2018, there were 125,000 shares authorized and 64,698 shares of Series J Convertible Preferred Stock issued, outstanding and convertible into 431,319 shares of common stock without regard to the beneficial

ownership limitation.

As of December 31, 2017, there were 44,698 shares issued and outstanding of Series J Convertible Preferred Stock and convertible into 297,987 shares of common stock without regard to the beneficial ownership limitation.

Series K Preferred Stock

On May 31, 2017, the Company was required to issue 1,089,389 shares of Series K Preferred Stock, which is convertible into 726,259 shares of the Company's common stock, to the certain holders for the consent and anti-dilution rights from the Series J Preferred Stock issuance. In addition, the Company issued to a vendor as settlement of Preferred Series C Stock issued for services, 76,763 shares of Series K Preferred Stock, convertible into 51,175 shares of common stock, in lieu of Series C Preferred Stock. Each share of Series K Preferred Stock is convertible into 100/150th or 0.6667 a share of common stock. Pursuant to the terms of the Series K Preferred Stock, a holder cannot convert any of the Series K Preferred Stock if such holder would beneficially own, after any such conversion, more than 4.99% of the outstanding shares of common stock. However, this beneficial ownership limitation does not prevent the holders from selling some of their holdings and then converting additional shares of Series K Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits. Subject to the beneficial ownership limitation, each holder is entitled to one vote for each 100/150th or 0.6667 a share of Series K Preferred Stock owned at the record date for the determination of shareholders entitled to vote, or, if no record, date is established, at the date, such vote is taken, or any written consent of shareholders is solicited.

F-28

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 5, 2017, the board of directors and a majority of the shareholders for the respective class of preferred shares, amended the Certificates of Designation for Series K Preferred Stock. The amendments changed the conversion rights of the class of preferred stock such that the Maximum Conversion as defined in the Certificate of Designation was increased from 4.99% to 9.99% of our outstanding shares of common stock.

As of December 31, 2018 and 2017, there were 1,250,000 shares authorized; 1,156,866 of Series K Preferred Stock issued, outstanding and convertible into 771,244 shares of common stock, respectively without regard to the beneficial ownership limitation.

Series L Preferred Stock

On May 11, 2018, we designated a new series of Preferred Stock entitled "Series L Preferred Stock." Our Series L Preferred Stock consists of 100,000 shares with a stated value of \$10.00 per share. Series L Preferred Stock is convertible to common stock at a price of \$4.00 per share, and votes together with our common stock on an as-converted basis, subject to conversion limitations. Conversions of our Series L Preferred Stock are limited such that no conversion may be made to the extent that, following the conversion, the converting shareholder would own more than 9.99% of our issued and outstanding common stock.

On May 14, 2018, we issued a total of 30,000 Units to three investors at a price of \$10.00 per Unit, for total proceeds of \$300,000. Each Unit consists of one (1) share of our newly designated Series L Preferred Stock and warrants to purchase two (2) shares of common stock at a price of \$4.00, exercisable for three years.

As of December 31, 2018, there were 100,000 shares authorized; 30,000 of Series L Preferred Stock issued, outstanding and convertible into 75,000 shares of common stock, respectively without regard to the beneficial ownership limitation.

Common Stock

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As of December 31, 2018 and 2017, there were 750,000,000 shares of Common Stock authorized; 936,519 and 936,519 shares issued and outstanding, respectively.

On January 3, 2017, the Company issued an aggregate of 5,445 shares of common stock upon the conversion of 35,000 shares of Series D Preferred Stock and 11,681 shares of Series E Preferred Stock.

On January 4, 2017, the Company issued an aggregate of 6,667 shares of common stock upon the conversion of 100,000 shares of Series E Preferred Stock.

On January 6, 2017, the Company issued an aggregate of 41 shares of common stock upon the conversion of 614 shares of Series E Preferred Stock.

On January 11, 2017, the Company issued an aggregate of 8,000 shares of common stock upon the conversion of 60,000 shares of Series D Preferred Stock.

On January 31, 2017, the Company issued an aggregate of 16,667 shares of common stock upon the conversion of 125,000 shares of Series D Preferred Stock

On March 2, 2017, the Company issued an aggregate of 6,667 shares of common stock upon the conversion of 50,000 shares of Series D Preferred Stock.

On March 7, 2017, the Company issued an aggregate of 6,667 shares of common stock upon the conversion of 100,000 shares of Series E Preferred Stock.

On April 21, 2017, the Company issued an aggregate of 6,667 shares of common stock upon the conversion of 100,000 shares of Series E Convertible Preferred Stock.

F-29

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On May 31, 2017, the Company entered separate subscription agreements with accredited investors relating to the issuance and sale of 50,000 of shares of Series J Preferred Stock at a purchase price of \$10.00 per share, as well as, the issuance of 4,669 shares of Series J Preferred Stock for accounts payable of \$46,694. The initial conversion ratio is each share of preferred is convertible into 6.6667 shares of common, subject to adjustment as set forth in the Series J certificate of designation. The Company is prohibited from effecting a conversion of the Series J Preferred Stock to the extent that, because of such conversion, the investor would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Series J Preferred Stock. Each share of Series J Preferred Stock entitles the holder to cast 6.6667 votes per share of Series J Preferred Stock owned as of the record date for the determination of shareholders entitled to vote, subject to the 4.99% beneficial ownership limitation. The Company received the necessary consents as required from prior subscription agreements, Series F Preferred Stock, Series G Preferred Stock and Preferred Series H Preferred Stock, as well as antidilution rights. The Company was required to issue 1,089,389 shares of Series K Preferred Stock, which is convertible into 726,259 shares of the Company's common stock, to the certain holders for the consent and anti-dilution rights. In addition, the Company issued to a vendor as settlement of Preferred Series C Stock issued for services, 76,763 shares of Series K Preferred Stock, convertible into 51,175 shares of common stock, in lieu of Series C Preferred Stock. The additional issuances for the consent, anti-dilution rights and settlement, resulted in the recording of other expense and additional paid in capital of \$2,308,981.

On July 18, 2017, the Company issued an aggregate of 13,333 shares of common stock upon the conversion of 200,000 shares of Series E Convertible Preferred Stock.

On September 27, 2017, the Company issued an aggregate of 13,333 shares of common stock upon the conversion of 200,000 shares of Series E Convertible Preferred Stock.

On December 6, 2017, the Company issued an aggregate of 111 shares of common stock upon the conversion of 3,333 shares of Series B Convertible Preferred Stock.

On December 11, 2017, the Company issued an aggregate of 156,901 shares of common stock upon the conversion of; 812,867 shares of Series C Convertible Preferred Stock, 61,250 shares of Series D Convertible Preferred Stock, 450,558 shares of Series E Convertible Preferred Stock, 73,759 shares of Series H Convertible Preferred Stock and 23,000 shares of Series I Convertible Preferred Stock.

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On December 12, 2017, the Company issued an aggregate of 104,386 shares of common stock upon the conversion of; 275,029 shares of Series C Convertible Preferred Stock, 785,500 shares of Series E Convertible Preferred Stock, 4,074 shares of Series J Convertible Preferred Stock and 9,786 shares of Series K Convertible Preferred Stock.

On December 14, 2017, the Company issued an aggregate of 57,316 shares of common stock upon the conversion of; 549,999 shares of Series F Convertible Preferred Stock, 3,047,414 shares of Series G Convertible Preferred Stock and 5,000 shares of Series J Convertible Preferred Stock.

On December 18, 2017, the Company issued an aggregate of 40,842 shares of common stock upon the conversion of; 55,625 shares of Series D Convertible Preferred Stock, 200,000 shares of Series F Convertible Preferred Stock, 1,833,335 shares of Series G Convertible Preferred Stock, 20,834 shares of Series I Convertible Preferred Stock and 897 shares of Series J Convertible Preferred Stock.

On December 19, 2017, the Company issued an aggregate of 35,920 shares of common stock upon the conversion of 538,792 shares of Series C Convertible Preferred Stock.

On December 20, 2017, the Company issued an aggregate of 39,508 shares of common stock upon the conversion of 592,619 shares of Series E Convertible Preferred Stock.

On May 10, 2018, we issued 20,000 shares of our Series J Preferred Stock at their stated value of \$10.00 per share to one investor, for total proceeds of \$200,000. Our Series J Preferred Stock is currently convertible to common stock at a price of \$1.50 per share and votes on an as-converted basis, subject to certain conversion limitations.

F-30

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On May 11, 2018, we designated a new series of Preferred Stock entitled “Series L Preferred Stock.” Our Series L Preferred Stock consists of 100,000 shares with a stated value of \$10.00 per share. Series L Preferred Stock is convertible to common stock at a price of \$4.00 per share and votes together with our common stock on an as-converted basis.

In addition, on May 14, 2018, we issued a total of 30,000 Units to 3 investors at a price of \$10.00 per Unit, for total proceeds of \$300,000. Each Unit consists of one (1) share of Series L Preferred Stock and warrants to purchase two (2) shares of common stock at a price of \$4.00, exercisable for three years.

Stock Options

2018 Incentive Plan

On June 14, 2018, our Board of Directors approved the Orbital Tracking Corp. 2018 Incentive Plan (the “Plan”). The 2014 Equity Incentive Plan was closed and superseded by the 2018 Incentive Plan. The purpose of the Plan is to provide a means for the Company to continue to attract, motivate and retain management, key employees, consultants and other independent contractors, and to provide these individuals with greater incentive for their service to the Company by linking their interests in the Company’s success with those of the Company and its shareholders. An Award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any Related Company that; are not in connection with the offer and sale of the Company’s securities in a capital raising transaction, and do not directly or indirectly promote or maintain a market for the Company’s securities. The Plan shall be administered by the Board or its Compensation Committee and may grant Options designated as Incentive Stock Options or Nonqualified Stock Options. The Plan provides that up to a maximum of 1,000,000 shares of the Company’s common stock (subject to adjustment) are available for issuance under the Plan. Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Incentive Stock Option shall not exceed ten years, and in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, shall not exceed five years. Any portion of an Option that is not vested and exercisable on the date of a Participant’s Termination of Service shall expire on such date. In the event of a Change in Control; all outstanding Awards, other than Performance Shares and Performance Units, shall become fully and immediately exercisable, and all applicable deferral and restriction limitations or forfeiture provisions shall lapse, immediately prior to the Change in Control and shall terminate at the effective time of the Change in Control; provided, however, that with respect to a Change in Control that is a Company Transaction, such Awards shall become fully and immediately exercisable, and all applicable deferral and restriction limitations or forfeiture

provisions shall lapse, only if and to the extent such Awards are not converted, assumed or replaced by the Successor Company.

The exercise price of an Incentive Stock Option shall be at least 100% of the Fair Market Value of the Common Stock on the Grant Date, and in the case of an Incentive Stock Option granted to a Participant who owns more than 10% of the total combined voting power of all classes of the stock of the Company or of its parent or subsidiary corporations (a "Ten Percent Stockholder"), shall not be less than 110% of the Fair Market Value of the Common Stock on the Grant Date. As of December 31, 2018, Mr. David Phipps, is a Ten Percent Stockholder. The determination of more than 10% ownership shall be made in accordance with Section 422 of the Code. To the extent the aggregate Fair Market Value (determined as of the Grant Date) of Common Stock with respect to which a Participant's Incentive Stock Options become exercisable for the first time during any calendar year (under the Plan and all other stock option plans of the Company and its parent and subsidiary corporations) exceeds \$100,000, such portion in excess of \$100,000 shall be treated as a Nonqualified Stock Option.

On June 14, 2018, we issued 275,000 new stock options to our executives and directors under the 2018 Incentive Plan. All options issued have an exercise price of \$1.50 per share, with the exception of David Phipps, a Ten Percent Stockholder, whose exercise price is \$1.60, vest in equal quarterly installments starting July 1, 2018 over the next two years and expire on July 1, 2021. For the year ended December 31, 2018, the amount of vested options were 68,750. On July 1, 2018, 34,375 options were fully vested and valued on the vesting date at approximately \$1.38 per option or a total of \$47,422 using a Black-Scholes option pricing model with the following assumptions: strike price of 1.50 stock price of \$1.38 per share (based on the market price at close on July 1, 2018) volatility of 718%, expected term of 3 years, and a risk-free interest rate of 2.69%. On October 1, 2018, an additional 34,375 options were fully vested and valued on the vesting date at approximately \$1.38 per option or a total of \$47,422 using a Black-Scholes option pricing model with the following assumptions: stock price of \$1.38 per share (based on the market price close at grant date on June 14, 2018) volatility of 607%, expected term of 3 years, and a risk-free interest rate of 2.64%. In reference to this grant, the company recorded stock-based compensation of \$81,698 for the year ended December 31, 2018.

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 18, 2018, the Company cancelled the unvested portion of options previously granted on June 14, 2018, under the 2018 Incentive Plan totaling 206,250. The grants cancelled will be returned to the Plan.

The number of options cancelled to our officers and directors were as follows:

David Phipps, President, CEO, and Director	(75,000)
Theresa Carlise, CFO	(37,500)
Hector Delgado, Director	(18,750)

In addition, we cancelled options to purchase a total of (75,000) shares to two key employees.

On December 18, 2018, we issued 831,250 new stock options to our executives and directors under the 2018 Incentive Plan. All options issued have an exercise price of \$0.15 per share, with the exception of David Phipps, a Ten Percent Stockholder, whose exercise price is \$0.17, are fully vested and expire on December 17, 2023. The options were valued on the grant date at approximately \$0.15 per option or a total of \$124,674 using a Black-Scholes option pricing model with the following assumptions: strike price of 0.15 stock price of \$0.15 per share (based on the market price at close on December 17, 2018) volatility of 773%, expected term of 5 years, and a risk-free interest rate of 2.69%.

The number of options issued to our officers and directors were as follows:

	Options
David Phipps, President, CEO, and Director	325,000
Theresa Carlise, CFO	162,500
Hector Delgado, Director	68,750

In addition, we issued options to purchase a total of 275,000 shares to two key employees. These options have the same terms as those awarded to our officers and directors.

Options Issued Outside of Plan

On February 19, 2015, the Company issued to Mr. Rector, the former Chief Executive Officer, Chief Financial Officer and director of the Company, a seven-year option to purchase 14,333 shares of common stock as compensation for services provided to the Company. The options have an exercise price of \$7.50 per share, were fully vested on the date of grant and shall expire in February 2022. The 14,333 options were valued on the grant date at approximately \$7.50 per option or a total of \$107,500 using a Black-Scholes option pricing model with the following assumptions: stock price of \$7.50 per share (based on the sale of common stock in a private placement), volatility of 380%, expected term of 7 years, and a risk-free interest rate of 1.58%. In connection with the stock option grant, the Company recorded stock-based compensation for the year ended December 31, 2015 of \$107,500, respectively.

On December 28, 2015, the Company issued Ms. Carlise, Chief Financial Officer, a ten-year option to purchase 3,333 shares of common stock as compensation for services provided to the Company. The options have an exercise price of \$7.50 per share, were fully vested on the date of grant and shall expire in December 2025. The 3,333 options were valued on the grant date at approximately \$195.02 per option or a total of \$650,000 using a Black-Scholes option pricing model with the following assumptions: stock price of \$195.00 per share (based on the closing price of the Company's common stock of the date of issuance), volatility of 992%, expected term of 10 years, and a risk-free interest rate of 1.05%. In connection with the stock option grant, the Company recorded stock-based compensation for the year ended December 31, 2015 of \$650,000, respectively.

F-32

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Also, on December 28, 2015, the Company issued Mr. Delgado, its Director, a ten-year option to purchase 1,333 shares of common stock as compensation for services provided to the Company. The options have an exercise price of \$7.50 per share, were fully vested on the date of grant and shall expire in December 2025. The 1,333 options were valued on the grant date at approximately \$195.02 per option or a total of \$260,000 using a Black-Scholes option pricing model with the following assumptions: stock price of \$195.02 per share (based on the closing price of the Company's common stock of the date of issuance), volatility of 992%, expected term of 10 years, and a risk-free interest rate of 1.05%. In connection with the stock option grant, the Company recorded stock-based compensation for the year ended December 31, 2015 of \$260,000, respectively.

On December 16, 2016, the Company issued options to Mr. Phipps, to purchase up to 66,667 shares of common stock. The options were issued outside of the Company's 2014 Equity Incentive Plan and are not governed by the 2014 Plan. The options have an exercise price of \$1.50 per share, vest immediately, and have a term of ten years. The 66,667 options were valued on the grant date at approximately \$2.85 per option or a total of \$190,000 using a Black-Scholes option pricing model with the following assumptions: stock price of \$2.85 per share (based on the closing price of the Company's common stock of the date of issuance), volatility of 872%, expected term of 10 years, and a risk-free interest rate of 1.0500%. In connection with the stock option grant, the Company recorded stock-based compensation for the year ended December 31, 2016 of \$190,000, respectively.

On May 26, 2017, the Company issued 33,333 options to Mr. Phipps, 25,000 options to Theresa Carlise, 8,333 options to Hector Delgado, its Director and 133,333 options to certain employees of the Company. The employees are the adult children of our Chief Executive Officer. The options were issued outside of the Company's 2014 Equity Incentive Plan and are not governed by the 2014 Plan. The options have an exercise price of \$1.50 per share, vest immediately, and have a term of ten years. The 200,000 options were valued on the grant date at approximately \$3.00 per option or a total of \$600,000 using a Black-Scholes option pricing model with the following assumptions: stock price of \$3.00 per share (based on the closing price of the Company's common stock of the date of issuance), volatility of 736%, expected term of 10 years, and a risk-free interest rate of 1.30%. In connection with the stock option grant, for the years ended December 31, 2017, the Company recorded stock-based compensation of \$600,000.

For the years ended December 31, 2018 and 2017, the Company recorded total stock-based compensation of \$219,518 and \$600,000, respectively.

Stock options outstanding at December 31, 2018, as disclosed in the below table have approximately \$189,707 of intrinsic value at the end of the period.

A summary of the status of the Company's outstanding stock options and changes during the years ended December 31, 2018 and 2017, is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at January 1, 2017	85,667	\$ 3.00	9.10
Granted	200,000	1.50	9.40
Exercised	-	-	-
Forfeited	-	-	-
Cancelled	-	-	-
Balance outstanding at December 31, 2017	285,667	\$ 1.95	9.01
Options exercisable at December 31, 2017	285,667	\$ 1.95	9.01
Weighted average fair value of options granted during the period		\$ 1.95	
Balance at January 1, 2018	285,667	\$ 1.95	9.01
Granted	1,106,250	\$ 0.50	4.35
Exercised	-		
Forfeited			
Cancelled	(206,250)	\$ 1.54	2.50
Balance outstanding at December 31, 2018	1,185,667	\$ 0.66	5.56
Options exercisable at December 31, 2018	1,185,667		
Weighted average fair value of options granted during the period		\$ 0.50	

F-33

ORBITAL TRACKING CORP. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

A summary of the status of the Company's outstanding stock warrants and changes during the years ended December 31, 2018 and 2017, is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at January 1, 2017	33	\$ 675	1.36
Granted	-	-	-
Exercised	-	-	-
Forfeited (<i>expired May 19, 2017</i>)	(33)	(675)	-
Cancelled	-	-	-
Balance at December 31, 2017	-	\$ -	-
Balance at January 1, 2018	-	\$ -	-
Granted	60,000	4	2.37
Exercised	-	-	-
Forfeited	-	-	-
Cancelled	-	-	-
Balance outstanding at December 31, 2018	60,000	\$ 4	2.37

As of December 31, 2018 and 2017, there were 60,000 and 0 stock warrants outstanding, respectively.

NOTE 11 – INCOME TAXES

The Company accounts for income taxes under ASC Topic 740: Income Taxes which requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and the tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax losses and tax credit carry forwards. ASC Topic 740 additionally requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. The Company has a net operating loss carry forward for tax purposes totaling approximately \$3.1 million at December 31, 2018, expiring through the year 2036.

The tax reform bill that Congress voted to approve Dec. 20, 2017, also known as the “Tax Cuts and Jobs Act”, made sweeping modifications to the Internal Revenue Code, including a much lower corporate tax rate, changes to credits and deductions, and a move to a territorial system for corporations that have overseas earnings. The act replaced the prior-law graduated corporate tax rate, which taxed income over \$10 million at 35%, with a flat rate of 21%. The Company has not reviewed the all of the changes the “Tax Cuts and Jobs Act” that will apply to the Company but is reviewing such changes. Due to the continuing loss position of the Company, such changes should not be material.

F-34

ORBITAL TRACKING CORP. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For U.S. purposes, the Company has not completed its evaluation of NOL utilization limitations under Internal Revenue Code, as amended (the “Code”) Section 382, change of ownership rules. If the Company has had a change in ownership, the NOL’s would be limited as to the amount that could be utilized each year, based on the Code. The Company has also, not completed its review of NOL’s pertaining to years the Company was known as “Silver Horn Mining Ltd.” and “Great West Resources, Inc.”, which may not be available due to IRC Section 382 and because of a change in business line that may eliminate NOL’s associated with “Silver Horn Mining Ltd.” and “Great West Resources, Inc.” The company has also not reviewed the impact relating to “Recent Events” for its IRC Section 382 possible NOL’s limitation.

The table below summarizes the differences between the Company’s effective tax rate of 39% and the statutory federal rate as follows for the years ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Tax expense (benefit) computed at “expected” statutory rate	\$(222,448)	\$(1,331,927)
State income taxes, net of benefit	(46,078)	-
Permanent differences:		
Stock based compensation and consulting	(52,316)	839,849
Loss (gain) from change in fair value of derivative liability	-	(421)
Other	(3,648)	370,079
Valuation allowance	219,858	122,420
Net income tax expense/(benefit)	\$-	\$-

The Company’s wholly owned subsidiary, GTCL, is a United Kingdom (“UK”) Limited Company and files tax returns in the UK. Its estimated tax liability for December 31, 2018 and 2017 is approximately \$0 and \$23,459, respectively.

Deferred tax assets and liabilities are provided for significant income and expense items recognized in different years for tax and financial reporting purposes. Temporary differences, which give rise to a net deferred tax asset is as follows:

	December 31, 2018	December 31, 2017
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Explanation of Responses:

Deferred tax assets:		
Net operating loss carryforward	\$947,937	\$501,397
Total deferred tax assets	\$947,937	\$501,397
Deferred tax liabilities:		
Book basis of property and equipment in excess of tax basis	\$-	\$-
Total deferred tax liabilities	\$-	\$-
Net deferred tax asset before valuation allowance	\$947,937	\$501,397
Less: valuation allowance	(947,937)	(501,397)
Net deferred tax asset	\$-	\$-

The net operating loss carryforward increased from \$399,647 at December 31, 2017 to \$446,540 at December 31, 2018. After consideration of all the evidence, both positive and negative, management has recorded a full valuation allowance at December 31, 2018 and 2017, due to the uncertainty of realizing the deferred income tax assets.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company has a month to month lease for its headquarters, located in Poole, UK for \$2,376 a month at the yearly average conversion rate of 1.296229 or £22,000 per annum. The three-year lease expired on October 1, 2018.

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Rent expense for year ended December 31, 2018 and 2017 is \$27,852 and \$31,456, respectively.

Employment Agreements

On June 14, 2018, the Company entered into a two (2) year Employment Agreement (“Agreement”) with Mr. Phipps, with an automatic one (1) year extension. Under the Agreement, Mr. Phipps will serve as the Company’s Chief Executive Officer and President and will receive an annual base salary equal to the sum of \$170,000 and £48,000 to be paid through our operating subsidiary, Global Telesat Communications, Ltd. For the year ended December 31, 2018, the £48,000 equivalent to USD is \$62,219 and the yearly conversion rate is 1.296229. The agreement provides for a performance bonus based on exceeding our annual revenue goals and on our ability to attract new investment. The Agreement also provides for medical plan coverage, an auto allowance, paid vacation, and discretionary stock grants and option awards. In the event of termination without cause, termination as a result of a change in control, or resignation with good reason (as defined in the Agreement), Mr. Phipps will be entitled to a severance equal to twice his base salary, the immediate vesting of all unvested options, and other benefits. The Agreement terminates and supersedes the Original Agreements and any subsequent amendments, effective as of the June 14, 2018.

Previously the Company had a two-year Executive Employment Agreement with Mr. Phipps, effective January 1, 2016. Under the Employment Agreement, Mr. Phipps will serve as the Company’s Chief Executive Officer and President and received an annual base salary equal to the sum of \$144,000 and £48,000, or \$61,833 at the yearly conversion rate of 1.288190. Mr. Phipps is also eligible for bonus compensation in an amount equal to up to fifty (50%) percent of his then-current base salary if the Company meets or exceeds criteria adopted by the Compensation Committee, if any, or Board and equity awards as may be approved in the discretion of the Compensation Committee or Board. On January 1, 2018, the agreement automatically renewed for another year.

Also, on June 14, 2018, we entered into a new Employment Agreement, (“Agreement”) with our Chief Financial Officer, Theresa Carlise. The Agreement is for a period of two (2) years, with an automatic one (1) year extension. Ms. Carlise’s base salary is \$150,000 per year. The Agreement provides for performance bonuses based on exceeding our annual revenue goals and on our ability to attract new investment. The Agreement also provides for medical plan coverage, an auto allowance, paid vacation, and discretionary stock grants and option awards. In the event of termination without cause, termination as a result of a change in control, or resignation with good reason (as defined in the Agreements), Ms. Carlise will be entitled to a severance equal to twice her base salary, the immediate vesting of all unvested options, and other benefits. The Agreement terminates and supersedes the Original Agreements and any subsequent amendments, effective as of the June 14, 2018.

Prior to June 14, 2018, the Company had a one-year agreement for Ms. Carlise, as its Chief Financial Officer, Treasurer and Secretary. The agreement provided for an annual compensation of \$140,000 as well as medical benefits. The agreement was effective December 1, 2016 and had an automatic renewal clause whereby the agreement renews itself for another year, if not cancelled by the Company previously. The agreement had been automatically extended for an additional term of one year on December 1, 2017. In addition to the base salary of \$140,000 annually, Ms. Carlise was eligible to receive an annual cash bonus if the Company meets or exceeds criteria adopted by the Compensation Committee of the Board of Directors and shall be eligible for grants of awards under stock option or other equity incentive plans of the Company

Consulting Agreement

On July 7, 2017, the Company entered into an agreement with Viewtrade Securities Inc. to assist in effectuating a securities offering of \$5,000,000 to \$7,000,000. The agreement has expired, and the Company's related registration statement has been withdrawn prior to effectiveness.

F-36

ORBITAL TRACKING CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Litigation

From time to time, the Company may become involved in litigation relating to claims arising out of our operations in the normal course of business. The Company is not currently involved in any pending legal proceeding or litigation and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which the Company is a party or to which any of the Company's properties is subject, which would reasonably be likely to have a material adverse effect on the Company's business, financial condition and operating results.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Company has received financing from the Company's Chief Executive Officer. No formal repayment terms or arrangements existed prior to February 19, 2015, when as part of the Share Exchange Agreement, the Company entered into a one-year term note with David Phipps where the stockholder loans bear no interest. The note has been extended annually, with the most recent extension dated January 29, 2018, for an additional year to February 19, 2019. On May 11, 2018, the note payable of \$5,768, was paid in full. The accounts payable due to related party includes advances for inventory and services due to David Phipps of \$11,540. Total payments due to David Phipps as of December 31, 2018 and December 31, 2017 are \$39,027 and \$6,998, respectively.

The Company employs two individuals who are related to Mr. Phipps, of which earned gross wages totaled \$72,312 and \$75,643, for the years ended December 31, 2018 and 2017, respectively.

NOTE 14 - CONCENTRATIONS

Customers:

Amazon accounted for 37.3% and 25.7% of the Company's revenues during the years ended December 31, 2018 and 2017, respectively. No other customer accounted for 10% or more of the Company's revenues for either period.

Explanation of Responses:

Suppliers:

The following table sets forth information as to each supplier that accounted for 10% or more of the Company's purchases for the years ended December 31, 2018 and 2017.

	December 31, 2018		December 31, 2017	
Network Innovations	\$2,002,733	42.8 %	\$1,367,898	40.8 %
Garmin	\$589,529	12.2 %	\$340,786	10.2 %
Globalstar Europe	\$610,933	12.7 %	\$460,989	13.8 %
Cygnus Telecom	\$457,871	9.5 %	\$438,825	13.10 %

Geographic:

The following table sets forth revenue as to each geographic location, for the years ended December 31, 2018 and 2017:

	Year Ended December 31, 2018		Year Ended December 31, 2017	
Europe	\$3,841,332	67.1 %	\$3,787,582	63.1 %
North America	1,282,494	22.4 %	1,529,209	25.5 %
South America	227,280	4.0 %	326,647	5.4 %
Asia & Pacific	317,699	5.5 %	328,633	5.5 %
Africa	58,096	1.0 %	32,884	0.5 %
	\$5,726,901		\$6,004,955	

F-37

ORBITAL TRACKING CORP. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 15 – SUBSEQUENT EVENTS**

On January 14, 2019, under the terms of a Securities Purchase Agreement, we issued a Convertible Promissory Note in the amount of \$65,000 (the “Note”) to Power Up Lending Group Ltd. (“Power Up”). The Note bears interest at a rate of twelve percent (12%) per year and is due one (1) year from the date of issue. Beginning 180 days from the issue date, the Note is convertible to our common stock at a price equal to 61% of the Market Price, which is defined as the lowest trading price for our common stock during the 15 trading days prior to the conversion notice. Conversions under the Note are limited such that the holder may not convert the Note to the extent that the number of shares of common stock issuable upon the conversion would result in beneficial ownership by the holder and its affiliates of more than 4.99% of our outstanding shares of common stock.

In the event of any default, the Note will bear interest at a rate of 22% per year. The Note may be pre-paid at a premium for the first 150 days after issue, with the pre-payment amount ranging from 115% of the balance to 140% of the balance. After 150 days from issue, pre-payment of the Note is not allowed.

On January 18, 2019, David Phipps exercised 325,000 options via a cashless exercise. Additionally, on January 18, 2019, two employees exercised 275,000 options through a cashless exercise. The Company withheld newly acquired shares pursuant to the exercise of the Option. The amount of common stock issued is calculated by using [Number of Options Exercising] *minus* [Exercise Price] * [Number of Options Exercising] *divided by* [Prior Close TRKK Market Price]. As a result of the exercise 324,285 shares of common stock were issued.

	Options Exercised	Exercise Price	Market Price	Shares withheld as Payment	Common Stock Issued
David Phipps	325,000	\$ 0.17	\$ 0.35	157,857	167,143
Other	275,000	\$ 0.15	\$ 0.35	117,858	157,142
	600,000			275,715	324,285

F-38

