PGT, Inc.
Form 10-Q
November 01, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 28, 2013

OR

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

For the transition period from __________ to __________

Commission file number 000-52059

PGT, Inc.

1070 Technology Drive

North Venice, FL 34275

Registrant s telephone number: 941-480-1600

State of Incorporation	**IRS Employer Identification No.**
Delaware	**20-0634715**

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

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common Stock, $0.01 par value 46,815,697 shares, as of October 28, 2013.

PGT, INC.

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Form 10-Q for the Three and Nine Months Ended September 28, 2013 and September 29, 2012

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PART I FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

PGT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(unaudited)		*(unaudited)*	
Net sales	$ 64,858	$ 44,743	$ 177,268	$ 129,329
Cost of sales	43,938	29,501	117,759	85,670
Gross margin	20,920	15,242	59,509	43,659
Selling, general and administrative expenses	13,507	11,592	40,817	35,206
Gain on sale of assets held for sale			(2,195)	
Income from operations	7,413	3,650	20,887	8,453
Interest expense, net	1,055	878	2,564	2,675
Other expense (Income), net	64	(10)	741	(110)
Income before income taxes	6,294	2,782	17,582	5,888
Income tax expense (benefit)	5	60	(3,893)	128
Net income	$ 6,289	$ 2,722	$ 21,475	$ 5,760
Net income per common share:				
Basic	$ 0.14	$ 0.05	$ 0.43	$ 0.11
Diluted	$ 0.13	$ 0.05	$ 0.40	$ 0.11
Weighted average shares outstanding:				
Basic	46,238	53,686	49,567	53,674
Diluted	49,257	56,054	53,097	54,475

Comprehensive income	$ 5,985	$ 3,203	$ 20,788	$ 6,140

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

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PGT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands except per share amounts)

	September 28, 2013 (unaudited)	December 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,745	$ 18,743
Accounts receivable, net	21,671	13,997
Inventories	15,266	11,529
Deferred income taxes	1,547	
Prepaid expenses	1,122	916
Assets held for sale		5,259
Other current assets	3,072	2,886
Total current assets	66,423	53,330
Property, plant and equipment, net	42,786	41,220
Intangible assets, net	40,450	45,327
Other assets, net	2,428	1,440
Total assets	$ 152,087	$ 141,317
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 17,038	$ 13,279
Deferred income taxes	46	46
Current portion long-term debt	3,907	
Total current liabilities	20,991	13,325
Long-term debt	74,236	37,500
Deferred income taxes	12,076	14,858
Other liabilities	1,638	1,424
Total liabilities	108,941	67,107
Commitments and contingencies (Note 9)		
Shareholders equity:		

Preferred stock; par value $.01 per share; 10,000 shares authorized; none outstanding		
Common stock; par value $.01 per share; 200,000 shares authorized; 48,812 and 53,737 shares issued and 46,816 and 52,814 shares outstanding at September 28, 2013, and December 29, 2012, respectively	488	537
Additional paid-in-capital	228,563	274,275
Accumulated other comprehensive loss	(2,101)	(1,414)
Accumulated deficit	(173,758)	(195,233)
Subtotal shareholders equity	53,192	78,165
Less Treasury stock at cost; 1,996,772 and 922,694 shares	(10,046)	(3,955)
Total shareholders equity	43,146	74,210
Total liabilities and shareholders equity	$ 152,087	$ 141,317

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

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PGT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Nine Months Ended	
	September 28, 2013	September 29, 2012
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 21,475	$ 5,760
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,509	4,384
Amortization	4,877	4,877
Provision for allowances of doubtful accounts	(107)	29
Amortization and write off of deferred financing costs	1,427	623
Stock-based compensation	752	1,046
Derivative financial instruments	111	42
Deferred income tax	(3,898)	
Gain on disposal of assets	(2,185)	(291)
Change in operating assets and liabilities:		
Accounts receivable	(8,624)	(2,995)
Inventories	(3,737)	(84)
Prepaid and other assets	(861)	(40)
Accounts payable, accrued and other liabilities	3,580	3,080
Net cash provided by operating activities	16,319	16,431
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,100)	(3,145)
Proceeds from sales of assets	7,478	454
Net cash provided by (used in) investing activities	2,378	(2,691)
Cash flows from financing activities:		
Payments of long-term debt	(37,500)	(5,000)
Proceeds from issuance of long-term debt	80,000	
Purchase of treasury stock	(56,091)	
Payments of financing costs	(3,591)	
Proceeds from exercise of stock options	3,487	42
Payments of capital leases		(50)

Net cash used in financing activities	(13,695)	(5,008)
Net increase in cash and cash equivalents	5,002	8,732
Cash and cash equivalents at beginning of period	18,743	10,940
Cash and cash equivalents at end of period	$ 23,745	$ 19,672

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

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PGT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of PGT, Inc. and its wholly-owned subsidiary, PGT Industries, Inc. (collectively the Company) after elimination of intercompany accounts and transactions. These statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by United States Generally Accepted Accounting Principles (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the remainder of the current year or for any future periods. Each of our Company s fiscal quarters ended September 28, 2013, and September 29, 2012, consisted of 13 weeks.

The Condensed Consolidated Balance Sheet as of December 29, 2012, is derived from the audited consolidated financial statements but does not include all disclosures required by GAAP. The Condensed Consolidated Balance Sheets as of December 29, 2012, and the unaudited condensed consolidated financial statements as of and for the period ended September 28, 2013, should be read in conjunction with the more detailed audited consolidated financial statements for the year ended December 29, 2012, included in the Company s most recent Form 10-K annual report. Accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with the accounting policies described in the Notes to Consolidated Financial Statements included in the Company s Form 10-K.

Recently Issued Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-11 Disclosures about Offsetting Assets and Liabilities. Subsequently, in February 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. These updates amended the guidance related to disclosures about offsetting assets and liabilities, including recognized financial instruments and derivatives. The provisions of the amended guidance became effective for us beginning in the first quarter of 2013. We adopted this standard in the first quarter of 2013 and additional disclosures have been made to comply with the standard.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The guidance amends the requirements of ASC 220, Comprehensive Income. The goal behind the amendments is to improve the transparency of reporting reclassifications out of accumulated other comprehensive income. It does not change current requirements for reporting net income or other comprehensive income in the financial statements. The provisions of the amended guidance became effective for us beginning in the first quarter of 2013. We adopted this standard in the first quarter of 2013 and additional disclosures have been made to comply with the standard.

NOTE 2. WARRANTY

Most of our manufactured products are sold with warranties. Warranty periods, which vary by product components, generally range from 1 to 10 years, although the warranty period for a limited number of specifically identified components in certain applications is a lifetime. However, the majority of the products sold have warranties on components which range from 1 to 3 years. The reserve for warranties is based on management s assessment of the cost per service call and the number of service calls expected to be incurred to satisfy warranty obligations on the current net sales.

During the quarter and nine months ended, we recorded warranty expense at a rate of 1.25% and 1.32% of sales, respectively. This rate is lower than the 2.00% of sales accrued in the third quarter of 2012 due to improved quality and lower costs to service claims experienced in the past several quarters. We assess the adequacy of our warranty accrual on a quarterly basis and adjust the previous amounts recorded, if necessary, to reflect a change in estimate of the future costs of claims yet to be serviced.

The table set forth below summarizes current period charges, any adjustment to previous estimates if necessary, as well as settlements, which represent actual costs incurred during the period, for the three and nine months ended September 28, 2013, and September 29, 2012. The reserve is determined after assessing Company history and through specific identification. Expected future obligations are discounted to a current value using a risk-free rate for obligations with similar maturities.

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The following provides information with respect to our warranty accrual:

Accrued Warranty	Beginning of Period	Charged to Expense	Adjustments	Settlements	End of Period
			(in thousands)		
Three months ended September 28, 2013	$ 3,128	$ 811	$ (71)	$ (917)	$ 2,951
Three months ended September 29, 2012	$ 4,313	$ 783	$ (235)	$ (786)	$ 4,075
Nine months ended September 28, 2013	$ 3,858	$ 2,341	$ (530)	$ (2,718)	$ 2,951
Nine months ended September 29, 2012	$ 4,406	$ 2,476	$ (319)	$ (2,488)	$ 4,075

NOTE 3. INVENTORIES

Inventories consist principally of raw materials purchased for the manufacture of our products. We have limited finished goods inventory since all products are custom, made-to-order and usually ship upon completion. Finished goods inventory costs include direct materials, direct labor, and overhead. All inventories are stated at the lower of cost (first-in, first-out method) or market value. Inventories consisted of the following:

	September 28, 2013	December 29, 2012
	(in thousands)	
Raw materials	$ 12,564	$ 10,477
Work in progress	578	256
Finished goods	2,124	796
Total inventories	$ 15,266	$ 11,529

NOTE 4. STOCK COMPENSATION EXPENSE

We record stock compensation expense over an award s vesting period based on the award s fair value at the date of grant. We recorded compensation expense for stock based awards of $0.2 million for the third quarter of 2013 and $0.3 million for the third quarter of 2012. We recorded compensation expense for stock based awards of $0.8 million for the first nine months of 2013 and $1.0 million for the first nine months of 2012. As of September 28, 2013, and September 29, 2012, there was $0.7 million and $1.6 million, respectively, of total unrecognized compensation cost related to non-vested stock option agreements and restricted share awards. These costs are expected to be recognized in earnings on a straight-line basis over the weighted average remaining vesting period of 1.3 years.

Exercises

In the third quarter of 2013, there were 1,082,478 options exercised at a weighted average exercise price of $2.09 per share. For the nine months ended September 28, 2013, there were 1,866,667 options exercised at a weighted average exercise price of $1.87 per share.

NOTE 5. NET INCOME PER COMMON SHARE

Basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the dilutive effect of potential common shares from securities such as stock options.

Our weighted average shares outstanding for the three months ended September 29, 2012, excludes underlying options of 437,455 because their effects were anti-dilutive. Our weighted average shares outstanding for the nine months ended September 28, 2013, and September 29, 2012, excludes underlying options of 15,007 and 396,529, respectively, because their effects were anti-dilutive.

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The table below presents the calculation of EPS and a reconciliation of weighted average common shares used in the calculation of basic and diluted EPS for our Company:

	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(in thousands, except per share amounts)			
Net income	$ 6,289	$ 2,722	$ 21,475	$ 5,760
Weighted-average common shares - Basic	46,238	53,686	49,567	53,674
Add: Dilutive effect of stock compensation plans	3,019	2,368	3,530	801
Weighted-average common shares - Diluted	49,257	56,054	53,097	54,475
Net income per common share:				
Basic	$ 0.14	$ 0.05	$ 0.43	$ 0.11
Diluted	$ 0.13	$ 0.05	$ 0.40	$ 0.11

NOTE 6. INTANGIBLE ASSETS

Intangible assets are as follows:

	September 28, 2013	December 29, 2012	Original Useful Life (in years)
	(in thousands)		
Intangible assets:			
Trade names	$ 38,441	$ 38,441	indefinite
Customer relationships	55,700	55,700	10
Less: Accumulated amortization	(53,879)	(49,701)	
Subtotal	1,821	5,999	
Hurricane intellectual assets	2,797	2,797	3

Less: Accumulated amortization	(2,609)	(1,910)
Subtotal	188	887
Intangible assets, net	$ 40,450	$ 45,327

Indefinite Lived Intangible Asset

The impairment evaluation of the carrying amount of intangible assets with indefinite lives is conducted annually, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The evaluation is performed by comparing the carrying amounts of these assets to their estimated fair values. If the estimated fair value is less than the carrying amount of the intangible assets, an impairment charge is recorded to reduce the asset to its estimated fair value. The estimated fair value is determined using the relief from royalty method that is based upon the discounted projected cost savings (value) attributable to ownership of our trade names, our only indefinite lived intangible assets.

In estimating fair value, the method we use requires us to make assumptions, the most material of which are net sales projections attributable to products sold with these trade names, the anticipated royalty rate we would pay if the trade names were not owned (as a percent of net sales), and a weighted average discount rate. These assumptions are subject to change based on changes in the markets in which these products are sold, which impact our projections of future net sales and the assumed royalty rate. Factors affecting the weighted average discount rate include assumed debt to equity ratios, risk-free interest rates, and equity returns, each for market participants in our industry.

Our year-end test of trade names, performed as of December 29, 2012, utilized a weighted average royalty rate of 4.0% and a discount rate of 14.3%. Net sales used in the analysis were based on historical experience and a modest growth rate over the next six years. As of December 29, 2012, the estimated fair value of the trade names exceeded book value by approximately

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47%, or $18.0 million. We believe our projected sales are reasonable based on available information regarding our industry and the core markets that we serve. We also believe the royalty rate is appropriate and could improve over time based on market trends and information, including that which is set forth above. The discount rate was based on current financial market trends and will remain dependent on such trends in the future.

No impairment test was conducted as of September 28, 2013, because no impairment indicators were identified that require us to perform this test prior to our annual test at December 28, 2013. We will continue to monitor and evaluate potential impairment indicators.

Amortizable Intangible Assets

We perform an impairment test on our amortizable intangible assets any time that impairment indicators exist. Such assets include our customer relationships asset and the intellectual property assets acquired upon exercise of the option to purchase the Hurricane Window and Door Technology assets in December 2010, which underlie our PremierVue product line. No such impairment indicators were identified as of September 28, 2013. We will continue to monitor and evaluate potential impairment indicators.

NOTE 7. LONG-TERM DEBT

On May 28, 2013, we entered into a Credit Agreement (the Credit Agreement) with the various financial institutions and other persons from time to time parties thereto as lenders (the Lenders), SunTrust Bank, as administrative agent (in such capacity, the Administrative Agent), as collateral agent, as swing line lender and as a letter of credit issuer, and the other agents and parties thereto. The Credit Agreement establishes new senior secured credit facilities in an aggregate amount of $105.0 million, consisting of an $80.0 million Tranche A term loan facility maturing in five years that will amortize on a basis of 5% annually during the five-year term, and a $25.0 million revolving credit facility maturing in five years that includes a $5.0 million swing line facility and a $10.0 million letter of credit facility.

Interest on all loans under the Credit Agreement is payable either quarterly or at the expiration of any LIBOR interest period applicable thereto. Borrowings under the term loans and the revolving credit facility accrue interest at a rate equal to, at our option, a base rate or LIBOR plus an applicable margin. The applicable margin is based on our leverage ratio, ranging from 300 to 350 basis points in the case of LIBOR and 200 to 250 basis points in the case of the base rate. We will pay quarterly fees on the unused portion of the revolving credit facility equal to 0.50% as well as a quarterly letter of credit fee at a rate per annum equal to the applicable margin for LIBOR loans on the face amount of any outstanding letters of credit. In connection with this refinancing, we wrote-off $0.3 million of deferred financing costs from the Old Credit Agreement, which are classified within other expense (income), net in the Condensed Consolidated Statements of Income and Comprehensive Income for the nine months ended September 28, 2013.

On September 16, 2013, we entered into two interest rate caps and an interest rate swap to hedge a portion of our debt against volatility in future interest rates (See Note 12).

The Credit Agreement will require us to maintain a maximum leverage ratio (based on the ratio of total funded debt to consolidated EBITDA, each as defined in the Credit Agreement) and a minimum fixed charge coverage ratio (based on the ratio of consolidated EBITDA minus net cash taxes minus capital expenditures to cash interest expense plus scheduled principal payments of term loans, each as defined in the Credit Agreement), which will be tested quarterly based on the last four fiscal quarters and is set at levels as described in the Credit Agreement. As of September 28, 2013, we were in compliance with all debt covenants.

The Credit Agreement also contains a number of affirmative and restrictive covenants, including limitations on the incurrence of additional debt, liens on property, acquisitions and investments, loans and guarantees, mergers, consolidations, liquidations and dissolutions, asset sales, dividends and other payments in respect of our capital stock, prepayments of certain debt and transactions with affiliates. The Credit Agreement also contains customary events of default.

In connection with entering into the Credit Agreement, on May 28, 2013, we terminated the Credit Agreement, dated as of June 23, 2011, among PGT Industries, Inc., as the borrower, the Company, as guarantor, the lenders from time to time party thereto and General Electric Capital Corporation, as administrative agent and collateral agent (the Old Credit Agreement). Proceeds from the term loan facility under the Credit Agreement were used to repay amounts outstanding under the Old Credit Agreement, repurchase shares of our common stock having an aggregate value of approximately $50 million, and pay certain fees and expenses.

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On August 5, 2013, we entered into Amendment No. 1 (the Amendment) to the Credit Agreement dated May 28, 2013. The Amendment permits us to make capital expenditures (as defined in the Credit Agreement) in an amount up to but not exceeding $14.0 million in connection with the expansion and operation of our glass processing business and activities without reducing the amount of capital expenditures otherwise permitted.

The face value of the debt as of September 28, 2013, was $80.0 million. The Company incurred issuance costs of $3.6 million, of which $2.0 million of the costs were classified as a discount and presented in the current and long-term portion of debt on the Condensed Consolidated Balance Sheets. Approximately $1.2 million was reported as debt issuance costs in current assets and other assets on the Condensed Consolidated Balance Sheets, while the remaining $0.3 million was expensed in selling, general and administrative expense on the Condensed Consolidated Statements of Income and Comprehensive Income. The debt issuance costs and discount are being amortized to interest expense, net on the Condensed Consolidated Statements of Income and Comprehensive Income over the term of the debt.

In connection with the cash proceeds from the sale of our Salisbury facility on January 23, 2013, we voluntarily prepaid $7.5 million of debt on January 31, 2013.

The contractual future maturities of long-term debt outstanding as of September 28, 2013, are as follows (excluding unamortized debt discount and issuance costs):

	(in thousands)
2013	$ 1,000
2014	5,000
2015	4,000
2016	4,000
2017	3,000
2018	63,000
Total	$ 80,000

The Old Credit Agreement provided for a $15.0 million revolving credit facility, a $48.0 million term loan facility and an uncommitted incremental facility in an amount of up to $25.0 million. The revolving credit facility commitment and the term loans under the Old Credit Agreement would have matured June 2016.

All borrowings under the Old Credit Agreement bore interest, at our option, at either: (a) a base rate equal to the highest of: (i) 0.50% per year above the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System, (ii) the annual rate of interest in effect for that day as publicly announced as the prime rate and (iii) the one-month eurodollar rate (not to be less than 1.25%) or (b) a eurodollar base rate equal to the higher of (i) 1.25% and (ii) (adjusted for reserve requirements, deposit insurance assessment rates and other regulatory costs for eurodollar liabilities) the rate at which eurodollar deposits in dollars for the relevant interest period (which will be one, two, three or six months or, subject to availability, nine or twelve months, as selected by us) are offered in the interbank eurodollar market plus, in each case, a rate dependent on the ratio of our funded debt as compared to our adjusted consolidated EBITDA, ranging from 3.5% to 2.0% per year for borrowings bearing interest at the base rate and from 4.5% to 3.0% per year for borrowings bearing interest at the eurodollar rate (such rate added to the eurodollar rate, the Eurodollar Margin).

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NOTE 8. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table shows the components of accumulated other comprehensive loss for the three and nine months ended September 28, 2013, and September 29, 2012:

	Aluminum Forward Contracts (in thousands)	Interest Swap (in thousands)	Total (in thousands)
Balance at June 29, 2013	$ (1,797)	$	$ (1,797)
Other comprehensive income (loss) before reclassification	196	(727)	(531)
Amounts reclassified from accumulated other comprehensive loss	36		36
Tax effect	(89)	280	191
Net current-period other comprehensive loss	143	(447)	(304)
Balance at September 28, 2013	$ (1,654)	$ (447)	$ (2,101)

	Aluminum Forward Contracts (in thousands)	Interest Swap (in thousands)	Total (in thousands)
Balance at June 30, 2012	$ (1,899)	$	$ (1,899)
Other comprehensive income before reclassification	346		346
Amounts reclassified from accumulated other comprehensive loss	135		135
Tax effect			
Net current-period other comprehensive loss	481		481
Balance at September 29, 2012	$ (1,418)	$	$ (1,418)

	Aluminum Forward Contracts (in thousands)	Interest Swap (in thousands)	Total (in thousands)
Balance at December 29, 2012	$ (1,414)	$	$ (1,414)
Other comprehensive loss before reclassification	(460)	(727)	(1,187)
Amounts reclassified from accumulated other comprehensive loss	69		69
Tax effect	151	280	431

Net current-period other comprehensive loss	(240)	(447)	(687)
Balance at September 28, 2013	$ (1,654)	$ (447)	$ (2,101)

	Aluminum Forward Contracts	**Interest Swap**	**Total**
	(in thousands)	*(in thousands)*	*(in thousands)*
Balance at December 31, 2011	$ (1,798)	$	$ (1,798)
Other comprehensive income before reclassification	183		183
Amounts reclassified from accumulated other comprehensive loss	197		197
Tax effect			
Net current-period other comprehensive loss	380		380
Balance at September 29, 2012	$ (1,418)	$	$ (1,418)

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Reclassification out of accumulated other comprehensive loss for the three and nine months ended September 28, 2013, and September 29, 2012:

Detail about accumulated other comprehensive loss components	**Amount reclassifed from Accumulated Other Comprehensive Loss Three months ended September 28, 2013**	**September 29, 2012**	**Affected line item in Statement where Net Income is presented**
	(in thousands)		
Aluminum Forward Contracts			
Effective portion of aluminum forward contracts	$ 36	$ 135	Cost of Sales
Tax effect	(14)	(52)	Tax expense
Interest Swap			
Effective portion of interest hedge contracts			Interest
Tax effect			Tax expense
	$ 22	$ 83	Net of Tax

Detail about accumulated other comprehensive loss components	**Nine months ended September 28, 2013**	**September 29, 2012**	
	(in thousands)		
Aluminum Forward Contracts			
Effective portion of aluminum forward contracts	$ 69	$ 197	Cost of Sales
Tax effect	(27)	(76)	Tax expense
Interest Swap			
Effective portion of interest hedge contracts			Interest
Tax effect			Tax expense
	$ 42	$ 121	Net of Tax

NOTE 9. COMMITMENTS AND CONTINGENCIES

Litigation

Our Company is a party to various legal proceedings in the ordinary course of business. Although the ultimate disposition of those proceedings cannot be predicted with certainty, management believes the outcome of any claim that is pending or threatened, either individually or in the aggregate, will not have a materially adverse effect on our operations, financial position or cash flows.

NOTE 10. INCOME TAXES

At the end of each interim period, we are required to estimate our annual effective tax rate for the fiscal year and use that rate to provide for income taxes for the current year-to-date reporting period. We recorded a minimal income tax expense and a $3.9 million benefit for the three and nine months ended September 28, 2013, respectively, compared to an expense of $0.1 million and $0.1 million for the same respective periods in 2012. The income tax benefit in the nine months ended September 28, 2013 is due primarily to a $3.9 million reversal of a portion of our deferred tax asset valuation allowance during the second quarter, while the expense in the prior year was due primarily to a release of a portion of our deferred tax asset valuation allowance to partially offset our regular tax expense and our expected alternative minimum tax obligation. Due to the effect of the deferred tax asset valuation allowance release, our effective tax rates in 2013 and 2012 do not directly correlate to the amount of pretax income or loss. In the absence of such releases, our tax rate would have been 39.1% and 39.5%, for the three months ended September 28, 2013, and September 29, 2012, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between (1) the carrying amounts of the assets and liabilities for financial reporting purposes and (2) the amounts used for income tax purposes. A valuation allowance is recorded against a deferred tax asset if, based on the weight of available evidence, it is more-likely-than-not (a likelihood of more than 50%) that some portion, or all, of the deferred tax asset will not be realized. At December 29, 2012, we had a valuation allowance totaling $12.9 million recorded against our net deferred tax asset. During the quarter ended June 29, 2013, we concluded that it was more likely than not that we would be able to realize all of our deferred tax assets and as such, we reversed our deferred tax asset valuation allowance. The reversal was based upon consideration of a number of factors, recent earnings history and forecasts of future earnings that enabled us to conclude it is more likely than not that the deferred tax assets will be realized. The $3.9 million tax benefit recorded for the nine months ended September 28, 2013, reflects the estimated remaining valuation allowance in excess of what is being used to offset the 2013 income tax expense in the estimated annual effective tax rate.

NOTE 11. DERIVATIVE

We enter into aluminum forward contracts to hedge the fluctuations in the purchase price of aluminum extrusion we use in production. Our contracts are designated as cash flow hedges since they are highly effective in offsetting changes in the cash flows attributable to forecasted purchases of aluminum.

In addition, we entered into LIBOR rate hedges on September 16, 2013, to offset the changes in cash flows of the debt interest rate payments that are attributable to the fluctuations of LIBOR rates. With the exception of the time value portion of our caps, these contracts are designated as cash flow hedges since they are highly effective in offsetting the changes in the monthly interest payments attributable to the changes in interest rates during the term of the agreement.

We net cash collateral from payments of margin calls on deposit with our brokers against the liability position of open contracts for the purchase of hedge instruments on a first-in, first-out basis. For statement of cash flows presentation, we present net cash receipts from and payments to the margin account as investing activities.

Derivative Financial Instruments Aluminum Contracts

Guidance under the Financial Instruments topic of the Codification requires us to record our hedge contracts at fair value and consider our credit risk for contracts in a liability position, and our counter-party s credit risk for contracts in an asset position, in determining fair value. We assess our counter-party s risk of non-performance when measuring the fair value of financial instruments in an asset position by evaluating their financial position, including cash on hand, as well as their credit ratings. We assess our risk of non-performance when measuring the fair value of our financial instruments in a liability position by evaluating our credit ratings, our current liquidity including cash on hand and availability under our revolving credit facility as compared to the maturities of the financial liabilities. In addition, we entered into a master netting arrangement (MNA) with our commodities broker that provides for, among other things, the close-out netting of exchange-traded transactions in the event of the insolvency of either party to the MNA.

We maintain a $2.0 million line of credit with our commodities broker to cover the liability position of open contracts for the purchase of aluminum in the event that the price of aluminum falls. Should the price of aluminum fall to a level which causes our liability for open aluminum contracts to exceed $2.0 million, we are required to fund daily margin calls to cover the excess.

At September 28, 2013, the fair value of our aluminum forward contracts was in a net liability position of $0.4 million. We had 42 outstanding forward contracts for the purchase of 11.4 million pounds of aluminum, approximately 41% of our anticipated needs through June 2015, at an average price of $0.90 per pound with maturity dates of between less than one month and twenty-one months. We assessed the risk of non-performance of the Company to these contracts and recorded a de minimis adjustment to fair value as of September 28, 2013.

As of December 29, 2012, the fair value of our aluminum forward contracts was in a net asset position of approximately $20 thousand. We had 24 outstanding forward contracts for the purchase of 3.9 million pounds of aluminum at an average price of $0.94 per pound with maturity dates of between less than one month and 12 months through December 2013. We assessed the risk of non-performance of the counterparty on these contracts and recorded a de minimis adjustment to fair value as of December 29, 2012.

Although it is our intent to have our aluminum hedges qualify as highly effective for reporting purposes, for the three months ended September 28, 2013, 6 of our 42 outstanding contracts did not qualify as effective. Effectiveness of aluminum forward contracts is determined by comparing the change in the fair value of the forward contract to the change in the expected cash to be paid for the hedged item. The effective portion of the gain or loss on our aluminum forward contracts is reported as a component of Accumulated other comprehensive loss and is reclassified into earnings in the same line item in the income statement as the hedged item in the same period or periods during which the transaction affects earnings. When a cashflow hedge becomes ineffective, and if the forecasted hedged transaction is still probable of occurrence, amounts previously recorded in Accumulated other comprehensive loss remain in Accumulated other comprehensive loss and are recognized in earnings in the period in which the hedged transaction affects earnings. The change in value of the aluminum forward contracts occurring after ineffectiveness is recognized in Other expense (income), net on the Condensed Consolidated Statements of Income and Comprehensive Income.

We do not expect the gains or losses recognized in the Accumulated other comprehensive loss line item in the accompanying Condensed Consolidated Balance Sheets (unaudited) as of September 28, 2013, that will be reclassified to earnings within the next three months to be material.

As of December 29, 2012, our aluminum hedges did not qualify as effective for reporting purposes and amounts previously recorded in Accumulated other comprehensive loss remain in Accumulated other comprehensive loss and are recognized in earnings in the period in which the hedged transaction affects earnings. The change in value of the aluminum forward contracts occurring after ineffectiveness is recognized in Other expense, net on the Condensed Consolidated Statements of Income and Comprehensive Income.

Derivative Financial Instruments Interest Rate Contract

On September 16, 2013, we entered into two interest rate caps and one interest rate swap. The first is a one year interest rate cap agreement with a notional amount of $40.0 million that was designated as a cash flow hedge that protects the variable rate debt from an increase in the floating one month LIBOR rate of greater than 0.50%. The second is a two year interest rate cap agreement with a notional amount of $20.0 million that was designated as a cash flow hedge that protects the variable rate debt from an increase in the floating one month LIBOR rate of greater than 0.50%. Effectiveness for the interest rate caps will be measured by comparing the changes in the intrinsic value of the cap with the change in the fair value of the forecasted interest payments due to changes in the LIBOR interest rate when LIBOR is greater than 0.5%. The intrinsic value portion of the interest rate caps are expected to be highly effective due to the critical terms of the cap exactly matching those of the hedge debt. The time value portion of the caps are deemed ineffective and will be marked to market in the reporting period.

The last is a forward starting three year six months interest rate swap agreement with a notional amount of $40.0 million that effectively converted a portion of the floating rate debt to a fixed rate of 2.15% that starts September 28, 2014, with a termination date of May 18, 2018. Since all of the critical terms of the swap and cap exactly matched those of the hedged debt, no ineffectiveness was identified in the hedging relationship. Consequently, all changes in fair value are recorded as a component of Accumulated other comprehensive income. Hedge effectiveness for the interest rate swap will be evaluated in accordance with ASC 815 on a quarterly basis by comparing changes in the cumulative gain or loss from the forward-starting interest rate swap with the cumulative changes in the discounted expected cash flows of future monthly interest related to changes of the swap rate.

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The impact of the offsetting derivative instruments are depicted below:

As of September 28, 2013

(in thousands)				Gross Amounts not offset in Balance Sheet		
Description	Gross Amounts of Recognized Assets	Gross Amounts offset in Balance Sheet	Net amounts of Assets Presented in Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Aluminum Forward Contract	$ 54	$	$ 54	$	$	$ 54
Interest Rate Caps	$ 54	$	$ 54	$	$	$ 54

As of September 28, 2013

(in thousands)				Gross Amounts not offset in Balance Sheet		
Description	Gross Amounts of Recognized Liabilities	Gross Amounts offset in Balance Sheet	Net amounts of Liabilities Presented in Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
Aluminum Forward Contract	$ 453	$	$ 453	$	$	$ 453
Interest Rate Swap	$ 727	$	$ 727	$	$	$ 727

As of December 29, 2012

(in thousands)				Gross Amounts not offset in Balance Sheet		
Description	Gross Amounts of Recognized Assets	Gross Amounts offset in Balance Sheet	Net amounts of Assets Presented in Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Aluminum Forward Contract	$ 53	$ (33)	$ 20	$	$	$ 20

As of December 29, 2012

(in thousands)	Gross Amounts not offset in Balance Sheet
Description	

	Gross Amounts of Recognized Liabilities	Gross Amounts offset in Balance Sheet	Net amounts of Liabilities Presented Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
Aluminum Forward Contract	$ 33	$ (33)	$	$	$	$

The fair value of our derivatives are classified in the accompanying Condensed Consolidated Balance Sheets as follows:

Derivatives in a net asset (liability) position	Balance Sheet Location	September 28, 2013	December 29, 2012
		(in thousands)	
Interest rate cap	Other Current Assets	$ 30	$
Interest rate cap	Other Assets	$ 24	$
Interest rate swap	Other Liabilities	$ 727	$
Aluminum forward contracts	Other Assets	$ 54	$ 20
Aluminum forward contracts	Accrued Liabilities	$ 453	$

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The following represents the gains (losses) on derivative financial instruments for the three and nine months ended September 28, 2013, and September 29, 2012, and their classifications within the accompanying Condensed Consolidated Financial Statements:

Derivatives in Cash Flow Hedging Relationships

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion) Three Months Ended *(in thousands)*		**Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)**	**Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Three Months Ended** *(in thousands)*	
	September 28, 2013	**September 29, 2012**		**September 28, 2013**	**September 29, 2012**
Aluminum contracts	$ 196	$ 346	Cost of sales	$ 36	$ 135
Interest rate swap	$ (727)	$	Interest Expense, net	$	$

	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion)	**Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) Three Months Ended** *(in thousands)*	
		September 28, 2013	**September 29, 2012**
Aluminum contracts	Other Expense (income) net	$ 18	$ 5
Interest rate swap	Other Expense (income) net	$	$

Derivatives in Cash Flow Hedging Relationships

	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion) Nine Months Ended *(in thousands)*	**Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)**	**Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Nine Months Ended** *(in thousands)*

	September 28, 2013	September 29, 2012		September 28, 2013	September 29, 2012
Aluminum contracts	$ (460)	$ 183	Cost of sales	$ 69	$ 197
Interest rate swap	$ (727)	$	Interest Expense, net	$	$

	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion) Nine Months Ended *(in thousands)*	
		September 28, 2013	September 29, 2012
Aluminum contracts	Other Expense (income) net	$ (350)	$ 54
Interest rate swap	Other Expense (income) net	$	$

NOTE 12. FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The accounting guidance concerning fair value allows us to elect to measure financial instruments at fair value and report the changes in fair value through the Condensed Consolidated Statements of Income and Comprehensive Income. This election can only be made at certain specified dates and is irrevocable once made. We do not have a policy regarding specific assets or liabilities to elect to measure at fair value, but rather make the election on an instrument-by-instrument basis as they are acquired or incurred.

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Items Measured at Fair Value on a Recurring Basis

The following assets and liabilities are measured in the Condensed Consolidated Balance Sheets at fair value on a recurring basis and are categorized in the table below based upon the lowest level of significant input to the valuation:

		Fair Value Measurements at Reporting Date of Net Asset (Liability) Using: (in thousands)		
Description	**September 28, 2013**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Aluminum forward contracts	$ (399)	$	$ (399)	$
Interest rate cap	54		54	
Interest rate swap	(727)		(727)	
Derivative financial instruments, net liability	$ (1,072)	$	$ (1,072)	$

Description	**December 29, 2012**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Aluminum forward contracts	$ 20	$	$ 20	$
Interest rate cap				
Derivative financial instruments, net asset	$ 20	$	$ 20	$

The following is a description of the methods and assumptions used to estimate the fair values of our assets and liabilities measured at fair value on a recurring basis, as well as the basis for classifying these assets and liabilities as Level 2.

Aluminum forward contracts identical to those held by us trade on the London Metal Exchange (LME). The LME provides a transparent forum and is the world s largest center for the trading of futures contracts for non-ferrous metals. The prices are used by the metals industry worldwide as the basis for contracts for the movement of physical material throughout the production cycle. Based on this high degree of volume and liquidity in the LME, we believe the valuation price at any measurement date for contracts with identical terms as to prompt date, trade date and trade price as those we hold at any time represents a contract s exit price to be used for purposes of determining fair value.

Interest rate cap and swap contracts identical to that held by us are sold by financial institutions. The valuation price at any measurement date for a contract with identical terms, exercise price, expiration date, settlement date, and notional quantities, as the one we hold, is used for determining the fair value.

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Fair Value of Financial Instruments

The following table presents the carrying values and estimated fair values of financial assets and liabilities that are required to be recorded or disclosed at fair value at September 28, 2013, and December 29, 2012, respectively:

	September 28, 2013		December 29, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(in thousands)		
Financial assets and liabilities				
Cash and cash equivalents	$ 23,745	$ 23,745	$ 18,743	$ 18,743
Accounts receivable, net	$ 21,671	$ 21,671	$ 13,997	$ 13,997
Accounts payable and accrued liabilities	$ 17,038	$ 17,038	$ 13,279	$ 13,279
Long-term debt	$ 78,143	$ 80,000	$ 37,500	$ 37,500

The following provides a description of the methods and significant assumptions used in estimating the fair value of our financial instruments that are not measured at fair value on a recurring basis.

Cash and cash equivalents The estimated fair value of these financial instruments approximates their carrying amounts due to their highly liquid or short-term nature.

Accounts receivable, net The estimated fair value of these financial instruments approximates their carrying amounts due to their short-term nature.

Accounts payable and accrued liabilities The estimated fair value of these financial instruments approximate their carrying amounts due to their short-term nature.

Debt The estimated fair value of this debt is based on Level 2 inputs of debt with similar terms and characteristics.

NOTE 13. GOVERNMENT INCENTIVE

In February 2011, we received a government incentive of $0.6 million in cash from our local county authority to assist in the consolidation of operations into our Florida facilities. Under the terms of the agreement we were required to, among other things, move the majority of our equipment from North Carolina to Florida and lease at least one building in Sarasota County, both of which were accomplished by April 2, 2011. In addition, we must add 400 employees by December 1, 2015. If we have not hired or do not have open positions for 400 additional employees on December 1, 2015, we will be required to repay $1,500 for each employee under 400 that we have not hired or have an open position for at that date. The agreement also requires us to repay a pro-rata portion of the grant if we relocate operations outside of the county before December 1, 2015.

We believe that, based on the number of employees hired to date and our plans for future hiring, as well as the completion of other terms noted above, we have reasonable assurance the grant will be retained on December 1, 2015. Due to the existence of the performance obligations extending over a 5-year period, we recognize the reasonably assured portion of the grant over the life of the agreement as an offset to the payroll of the employees hired, which is included in cost of goods sold. This amount is expected to result in an immaterial amount recognized each quarter through December 1, 2015. As of September 28, 2013, and December 29, 2012, the deferred portion of the $0.6

million grant has been classified as $0.1 million and $0.1 million in accounts payable and accrued liabilities, respectively, and $0.2 million and $0.3 million in other liabilities, respectively, within the accompanying Condensed Consolidated Balance Sheets.

NOTE 14. ASSETS HELD FOR SALE

During the first quarter of 2013 we sold the Salisbury, North Carolina facility for approximately $8.0 million in cash (approximately $7.5 million net of selling costs), resulting in a gain of $2.2 million. The facility s carrying value was $5.3 million at December 29, 2012, and at the time of the sale was recorded in the Condensed Consolidated Balance Sheets as an Asset held for sale.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto for the year ended December 29, 2012, included in our most recent Form 10-K annual report as well as our reports on Forms 10-Q and 8-K and other publicly available information. All amounts herein are unaudited.

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Special Note Regarding Forward-Looking Statements

From time to time, we have made or will make forward-looking statements within the meaning of Section 21E of the Exchange Act. These statements do not relate strictly to historical or current facts. Forward-looking statements usually can be identified by the use of words such as goal , objective , plan , expect , anticipate , intend , project , bel may , could , or other words of similar meaning. Forward-looking statements provide our current expectations or forecasts of future events, results, circumstances or aspirations. Our disclosures in this report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We may also make forward-looking statements in our other documents filed or furnished with the Securities and Exchange Commission and in oral presentations. Forward-looking statements are based on assumptions and by their nature are subject to risks and uncertainties, many of which are outside of our control. Our actual results may differ materially from those set forth in our forward-looking statements. There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause actual results to differ materially from those described in our forward-looking statements include, but are not limited to:

- Changes in new home starts and home remodeling trends
- The economy in the U.S. generally or in Florida where the substantial portion of our sales are generated
- Raw material prices, especially aluminum
- Transportation costs
- Level of indebtedness
- Dependence on our WinGuard branded product lines
- Product liability and warranty claims
- Federal and state regulations
- Dependence on our manufacturing facilities
- The substantial interest of JLL Partners Fund IV, L.P.

Any forward-looking statements made by us or on our behalf speak only as of the date they are made and we do not undertake any obligation to update any forward-looking statement to reflect the impact of subsequent events or circumstances. Before making any investment decision, you should carefully consider all risks and uncertainties disclosed in all our SEC filings, including our reports on Forms 8-K, 10-Q and 10-K and our registration statements under the Securities Act of 1933, as amended, all of which are accessible on the SEC s website at www.sec.gov and at http://ir.pgtindustries.com/sec.cfm

EXECUTIVE OVERVIEW

Sales and Operations

On October 30, 2013, we issued a press release, and held a conference call on October 31, 2013, to review the results of operations for the three and nine months ended September 28, 2013. During the call, we also discussed current market conditions and progress made regarding certain business initiatives. The overview and estimates contained in this report are consistent with those given in our press release and our conference call remarks. We are neither updating nor confirming that information.

We delivered our highest quarterly sales since the first quarter of 2007 coming in at $64.9 million, up 45.0% over the third quarter of 2012. A combination of improving market conditions and marketing programs focused on both consumers and dealers targeting our WinGuard products continues to drive both sales growth and share gains.

During the quarter, impact sales grew 47% over prior year and represented 78% of total sales, compared to 77% a year ago. In addition, sales of non-impact products grew 38%. Sales increased in both our repair and remodel and new construction markets, up 40% and 58%, respectively. Net income was $6.3 million, and adjusted net income was $6.4 million compared to net income of $2.7 million a year ago.

The 45.0% sales growth during the quarter generated a 37.3% increase in gross margin dollars. As a percent, however, gross margin decreased by 1.8% due to a temporary increase in labor and material costs in connection with the training of our new employees, including the 301 hired during the quarter. Margin was also impacted by the purchase of finished glass units to support sales in excess of our current glass capacities. These two factors negatively impacted margin during the quarter by 4.8%, which more than offset the 3.0% improvement in other factors including strong leverage of fixed costs.

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Lastly, selling, general and administrative expenses as a percent of sales decreased to 20.8%, compared to 25.9% in the third quarter of 2012 due to strong leverage in this category. Cash flow generated from operations was $8.9 million during the quarter. At quarter end, our cash balance was $23.7 million.

Forward Outlook

We continue to focus our efforts on both training and retaining newly hired employees to improve our production efficiency. We are also expanding our current glass fabrication capabilities by constructing a new facility. During August, we purchased land neighboring to our existing campus for $1.7 million and expect operations to commence in our new glass facility in the third quarter of 2014. This action alone is expected to improve our margins by approximately 2%.

In the third quarter of 2013, we announced a price increase of approximately 3% on certain products effective for the fourth quarter of 2013 to offset the cost increases of labor, including healthcare costs, as well as increases in the cost of glass from outside vendors and other costs associated with our business.

Based on our October sales and our current pipeline, which encompasses our price increase, we believe the fourth quarter s sales will range from $58 million to $60 million. We also expect lower overtime and glass purchases with these reduced sales, however, we expect to experience lower leveraging of our fixed costs.

Performance Summary

The following table presents financial data derived from our unaudited Condensed Consolidated Statements of Income and Comprehensive Income as a percentage of total net sales for the periods indicated:

	(unaudited) **Three Months Ended**				*(unaudited)* **Nine Months Ended**			
	September 28, 2013		**September 29, 2012**		**September 28, 2013**		**September 29, 2012**	
	(in thousands)				*(in thousands)*			
Net sales	$ 64,858	100.0%	$ 44,743	100.0%	$ 177,268	100.0%	$ 129,329	100.0%
Cost of sales	43,938	67.7%	29,501	65.9%	117,759	66.4%	85,670	66.2%
Gross margin	20,920	32.3%	15,242	34.1%	59,509	33.6%	43,659	33.8%
Selling, general and administrative expenses	13,507	20.8%	11,592	25.9%	40,817	23.0%	35,206	27.2%
Gain on sale of assets held for sale		0.0%		0.0%	(2,195)	-1.2%		0.0%
Income from operations	7,413	11.4%	3,650	8.2%	20,887	11.8%	8,453	6.5%
Interest expense, net	1,055	1.6%	878	2.0%	2,564	1.4%	2,675	2.1%
Other expense (income), net	64	0.1%	(10)	0.0%	741	0.4%	(110)	-0.1%

Income before income taxes	6,294	9.7%	2,782	6.2%	17,582	9.9%	5,888	4.6%
Income tax (benefit) expense	5	0.0%	60	0.1%	(3,893)	-2.2%	128	0.1%
Net income	$ 6,289	9.7%	$ 2,722	6.1%	$ 21,475	12.1%	$ 5,760	4.5%

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RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 28, 2013 AND SEPTEMBER 29, 2012

The following table represents total sales by product category for the three months ended September 28, 2013, and September 29, 2012:

	Three Months Ended				
	September 28, 2013		September 29, 2012		
	Sales	% of sales	Sales	% of sales	% change
	(in millions)				
Product category:					
Impact Window and Door Products	$ 50.3	77.5%	$ 34.2	76.5%	47.0%
Other Window and Door Products	14.6	22.5%	10.5	23.5%	38.2%
Total net sales	$ 64.9	100.0%	$ 44.7	100.0%	45.0%

Net sales of impact window and door products, which include our WinGuard, PremierVue and Architectural Systems product lines, were $50.3 million for the third quarter of 2013, an increase of $16.1 million, or 47.0%, from $34.2 million in net sales for the 2012 third quarter. The increase was due mainly to an increase in Aluminum and Vinyl WinGuard of $10.5 million and $4.1 million, respectively. WinGuard product sales, which grew both in new construction and repair and remodel markets, represented 73% of our net sales for the third quarter of both 2013 and 2012.

Net sales of other window and door products were $14.6 million for the third quarter of 2013, an increase of $4.1 million, or 38.2%, from $10.5 million in net sales for the 2012 third quarter. This increase was due mainly to an increase in sales of our non-impact aluminum products of $1.8 million, non-impact vinyl products, whose sales were up $1.4 million, and an increase in Eze-Breeze product sales of $0.8 million.

Gross margin

Gross margin was $20.9 million, or 32.3% of sales, compared to $15.2 million, or 34.1% for the third quarter of 2012, an increase of $5.7 million, or 37.3% from the third quarter of 2012. The 1.8% decrease in gross margin as a percent of sales in 2013 is the result of the increased labor cost and scrap commensurate with hiring 575 new employees over the past six months (2.8%), outside glass purchases (2.0%) and change in mix (0.9%). These decreases were offset by leveraging higher sales (3.6%) and reduced costs of aluminum (0.3%).

Selling, general and administrative expenses

Selling, general and administrative expenses were $13.5 million for the third quarter of 2013, an increase of $1.9 million from $11.6 million for the third quarter of 2012. This was driven by employee related expense increase of $1.5 million, $0.3 million in bank related fees, and consulting fees of $0.1 million. As a percent of sales, selling, general and administrative expenses were 20.8% for the third quarter of 2013 compared to 25.9% from the third quarter of 2012, as we were able to substantially leverage our increase in sales.

Interest expense, net

Interest expense, net was $1.1 million in the third quarter of 2013, an increase of $0.2 million from $0.9 million for the third quarter of 2012. The increase from prior year was due to a higher outstanding debt level resulting from the new debt agreement offset by the lower interest rate associated with the new credit agreement.

Other expense (income), net

Other expense, net was $0.1 million in the third quarter of 2013, compared to Other income, net of less than $0.1 million in the third quarter of 2012. The amount in 2013 relates to the changes in the fair value and settlements of our ineffective aluminum hedges. The amount in 2012 relates to the ineffective portion of aluminum hedges and the changes in the fair value of our interest rate cap.

Income tax expense

At the end of each interim period, we are required to estimate our annual effective tax rate for the fiscal year and use that rate to provide for income taxes for the current year-to-date reporting period. We recorded a minimal tax expense for the three months ended September 28, 2013, compared to an expense of $0.1 million for the same period in 2012.

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Due to the effects of the deferred tax asset valuation allowance release, our effective tax rates in 2013 and 2012 do not directly correlate to the amount of pretax income or loss. In the absence of such releases our tax rate would have been 39.1% and 39.5%, for the three months ended September 28, 2013, and September 29, 2012, respectively.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 28, 2013 AND SEPTEMBER 29, 2012

The following table represents total sales by product category for the nine months ended September 28, 2013, and September 29, 2012:

	Nine Months Ended				
	September 28, 2013		September 29, 2012		
	Sales	% of sales	Sales	% of sales	% change
	(in millions)				
Product category:					
Impact Window and Door Products	$ 135.9	76.7%	$ 96.1	74.3%	41.4%
Other Window and Door Products	41.4	23.3%	33.2	25.7%	24.5%
Total net sales	$ 177.3	100.0%	$ 129.3	100.0%	37.1%

Net sales of impact window and door products, which include our WinGuard, PremierVue and Architectural Systems product lines, were $135.9 million for the first nine months of 2013, an increase of $39.8 million, or 41.4%, from $96.1 million in net sales for the 2012 first nine months. The increase was due mainly to an increase in Aluminum and Vinyl WinGuard of $26.9 million and $10.7 million, respectively. Also, our Architectural System sales increased $2.0 million. WinGuard product sales, which grew in both new construction and repair and remodel markets, represented 72% and 70% of our net sales for the first nine months of 2013 and 2012, respectively.

Net sales of other window and door products were $41.4 million for the first nine months of 2013, an increase of $8.2 million, or 24.5%, from $33.2 million in net sales for the 2012 first nine months. This increase was due mainly to an increase in sales of our non-impact vinyl products, whose sales were up $3.5 million, our non-impact aluminum products of $3.1 million, and an increase in Eze-Breeze product sales of $1.6 million.

Gross margin

Gross margin was $59.5 million, or 33.6% of sales, compared to $43.7 million, or 33.8% for the first nine months of 2013, an increase of $15.8 million, or 36.3% from the first nine months of 2012. The 0.2% decrease in gross margin as a percent of sales in 2013 is the result of increased labor cost and scrap commensurate with hiring 758 new employees (2.5%) and outsourced glass purchases of (0.8%). This was offset by the leveraging of higher sales (3.1%).

Selling, general and administrative expenses

Selling, general and administrative expenses were $40.8 million for the first nine months of 2013, an increase of $5.6 million from $35.2 million for the first nine months of 2012. This was driven by an increase of $1.5 million relating to the secondary market offering of 12.65 million shares by our majority stockholder and debt refinancing, $1.1 million in advertising costs to assist our efforts to capture market share, $0.5 million in selling activities, and employee related expenses of $2.8 million. As a percent of sales, selling, general and administrative expenses were 23.1% for the first nine months of 2013 compared to 27.2% from the second quarter of 2012, when adjusting for offering related costs, as we were able to substantially leverage our increase in sales.

Gain on assets held for sale

During the first quarter of 2013 we sold the Salisbury, North Carolina facility for approximately $8.0 million in cash (approximately $7.5 million net of selling costs), resulting in a gain of $2.2 million. The facility s carrying value was $5.3 million at December 29, 2012, and at the time of the sale was recorded in the Condensed Consolidated Balance Sheets as an asset held for sale.

Interest expense, net

Interest expense, net was $2.6 million in the first nine months of 2013, a decrease of $0.1 million from $2.7 million for the first nine months of 2012. The decrease from prior year was due to the effect of the lower interest rate associated with the new credit agreement. Offsetting this decrease is a higher outstanding debt level from the new debt agreement along with the non-recurring amortization of deferred financing charges related to the $7.5 million voluntary pre-payment of debt.

Other expense (income), net

Other expense, net was $0.7 million in the first nine months of 2013, compared to Other income, net of $0.1 million in the first nine months of 2012. The amount in 2013 relates to the write off of $0.3 million of deferred financing costs relating to the old debt agreement along with the changes in the fair value and settlements of our ineffective aluminum hedges. The amount in 2012 relates to the ineffective portion of aluminum hedges and the changes in the fair value of our interest rate cap.

Income tax expense

At the end of each interim period, we are required to estimate our annual effective tax rate for the fiscal year and use that rate to provide for income taxes for the current year-to-date reporting period. We recorded an income tax benefit of $3.9 million for the nine months ended SepteT-SIZE: 10pt; FONT-WEIGHT: bold">Results of Operations For The Year Ended September 30, 2014 and 2013

The Globalstar Contracts generated revenues from operations in the amount of $343,734 for the year ended September 30, 2014 and $ 90,154 for the year ended September 30, 2013, an increase of $253,580 or 74%.

The increase in revenues was primarily due to increases in sales of our satellite tracking devices.

The Globalstar Contracts generated direct operating costs of $97,691 for the year ended September 30, 2014 as compared to $22,849for the year ended September 30, 2013, an increase of $74,842 or 328%.

This increase was primarily attributable to increased marketing, promotional and website-related expenses.

Liquidity and Capital Resources

The total cash and cash equivalents relating to the Globalstar Contracts as of September 30, 2014 was nil. In addition, there were no assets or liabilities as of September 30, 2014

We will need to raise capital to implement our business plan and continue operations for any length of time. We are seeking alternative sources of financing, through private placement of securities and loans from our shareholders in order for us to maintain our operations. We cannot guarantee that we will be successful in raising additional cash resources for our operations nor that the financing will not be dilutive to existing shareholders.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United

States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. In consultation with our Board of Directors, we have identified several accounting principles that we believe are key to the understanding of our financial statements. These important accounting policies require management's most difficult, subjective judgments.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification subtopic 605-10, Revenue Recognition ("ASC 605-10") which requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

ASC 605-10 incorporates Accounting Standards Codification subtopic 605-25, Multiple-Element Arraignments ("ASC 605-25"). ASC 605-25 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing 605-25 on the Company's financial position and results of operations was not significant.

Accounting for Stock-Based Compensation

We account for stock, stock options and warrants using the fair value method promulgated by Accounting Standards Codification subtopic 480-10, Distinguishing Liabilities from Equity ("ASC 480-10") which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services. Therefore, our results include non-cash compensation expense as a result of the issuance of stock, stock options and warrants and we expect to record additional non-cash compensation expense in the future.

We follow Accounting Standards Codification subtopic 718-10, Compensation ("ASC 718-10") which requires that all share-based payments to both employees and non-employees be recognized in the income statement based on their fair values.

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Off Balance Sheet Transactions

We do not have any off-balance sheet transactions.

Recently Issued Accounting Pronouncements

There were various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on our consolidated financial position, results of operations or cash flows.

Inflation

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could adversely affect our business, financial condition and results of operations.

Business

Corporate History

On January 22, 2015, the Company changed its name to “Orbital Tracking Corp.” from “Great West Resources, Inc.” pursuant to a merger with a newly-formed wholly owned subsidiary.

On March 28, 2014, the Company merged with a newly-formed wholly-owned subsidiary of the Company solely for the purpose of changing its state of incorporation to Nevada from Delaware, 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 business.

The Company was originally incorporated in 1997 as a Florida corporation. On April 21, 2010, the Company merged with and into a newly-formed 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 newly-formed wholly-owned subsidiary.

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.

Our Current Business

The Company is a provider of satellite based hardware, airtime and related services both in the United States and internationally. We sell equipment and airtime for use on all of the major satellite networks including Globalstar, Inmarsat, Iridium and Thuraya and operate a short-term rental service for customers who desire to use our equipment for a limited time period. Our acquisition of GTCL in February 2015 expanded our global satellite based infrastructure and business, which was first launched in December 2014 through the purchase of certain contracts.

Through GTCL, we believe we are one of the largest providers in Europe of retail satellite based hardware, airtime and services through various ecommerce storefronts, and one of the largest providers of personal satellite tracking devices. Our customers include businesses, the U.S. and foreign governments, non-governmental organizations and private consumers. By enabling wireless communications in areas not served or underserved by terrestrial wireless and wireline networks and in circumstances where terrestrial networks are not operational due to natural or man-made disasters, we seek to meet our customers' increasing desire for connectivity. Our principal focus is on growing our existing satellite based hardware, airtime and related services business line and developing our own tracking devices for use by retail customers worldwide.

We launched our e-commerce website under the “Orbital Satcom” name offering a range of portable satellite voice, data and tracking solutions, known as Mobile Satellite Services or MSS, in March 2015. We expended approximately $12,000 in connection with the launch. The website will offer a range of more than 300 satellite communications related products which will be available for purchase by customers from all over the world. We currently operate websites that offer the same products under the GTCL name for customers anywhere in the world. In the first half of 2015 we plan to develop additional country-specific websites or offer translation options on our existing websites to target customers in South America, Asia and Europe where we anticipate there will be substantial demand for our products.

MSS Products

Our MSS products include handheld satellite phones, personal and asset tracking devices, portable high speed broadband terminals and satellite Wi-Fi hotspots, all of which work virtually anywhere in the world. These devices rely on satellite networks and thus are not reliant on cell towers or other local infrastructure. As a result, satellite phones and these other MSS solutions are suitable for recreational travelers and adventurers, government and military users, and corporations and individuals in the event of an emergency such as a power outage, hurricane or other natural disaster during which regular cell phone, telephone and internet service may not be available. We purchase these products directly from the manufacturers and sell them directly to end users.

Satellite Telecommunications Services

As a result of the purchase of the contracts from Global Telesat Corp. (“GTC”) in December 2014, we commenced providing mobile voice and data communications services globally via satellite over Globalstar’s satellite based simplex data network. We provide this service through our Orbital Satcom subsidiary. Our rights under the purchased contracts allow us to have preferred pricing arrangements with Globalstar for each account used during the term of contracts. We then offer our customers a range of pay-as-you-go and monthly fee satellite communications airtime options.

The simplex service is a one-way burst data transmission from a commercial simplex device over the Globalstar network that can be used to track and monitor assets. We can use each simplex or one-way transmission account to transmit an unlimited number of locational or status messages from tracking devices used anywhere within the Globalstar simplex coverage area. At the heart of the simplex service is a demodulator and RF interface, called an applique, which is located at a gateway and an application server located in Globalstar’s facilities. The applique-equipped gateways provide coverage over vast areas of the globe. The server receives and collates messages from all simplex devices transmitting over the Globalstar network. Simplex devices consist of a telemetry unit, an application specific sensor, a battery and optional global positioning functionality. The small size of the devices makes them attractive for use in tracking asset shipments, monitoring unattended remote assets, trailer tracking and mobile security.

Aside from providing services over Globalstar’s simplex data network, we are, through GTCL and Orbital Satcom, an authorized reseller of Globalstar’s two-way voice and data transmissions service, called the duplex service, and simplex and duplex satellite telecommunications services offered by other leading networks such as Iridium, Inmarsat and Thuraya. We offer a range of pay-as-you-go and monthly fee satellite communications airtime options from these network providers. We typically pay the network providers a monthly access fee per subscriber, as well as usage fees for airtime minutes used by our subscribers. This is a rapidly growing market and we believe we are well positioned to take advantage of this growth. Our customers are in industries such as maritime, aviation, government/military, emergency/humanitarian services, mining, forestry, oil and gas, heavy equipment, transportation and utilities as well as recreational users. We are focused on growing and diversifying our customer base beyond US government customers and making maximum use of our preferred pricing arrangements with Globalstar to generate increased revenue.

Amazon.com Storefronts

We also intend to continue to make portable satellite voice, data and tracking solutions easier to find and buy online through our Amazon storefront at www.amazon.com/shops/orbitalsatcom, with many products offered by us being fulfilled by Amazon from their various warehouses in the US. A wide range of satellite communications products are available for purchase on Amazon and we believe we will be able to offer competitive pricing on all products offered on the site. We currently have more than 130 products available for purchase and will be increasing this number over the coming months. The products include handheld satellite phones, personal and asset tracking devices, portable high speed broadband terminals, and satellite Wi-Fi hotspots. We expect to spend approximately $25,000 to $30,000 per month to acquire inventory to fulfill customer orders. We also have Amazon storefronts targeted to customers in the United Kingdom, France, Germany, Spain and Italy. In the coming weeks we expect to open stores specifically targeted to Amazon customers in Canada and Japan. All orders will be fulfilled directly by Amazon through its global fulfillment centers. We expect to spend a total of $5,000 to develop these Amazon stores and initially approximately $100,000 to acquire inventory to fulfill customer orders.

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Mapping and Tracking Portal

Our advanced mapping and tracking portal, www.orbitaltrack.com, has already been developed and is available for use by registered customers. OrbitalTrack displays real-time worldwide asset location reports including position, speed, altitude and heading and also provides past location and movement history reports on a wide range of tracking devices. OrbitalTrack is available to all of our customers to monitor their assets and we intend to aggressively pursue new customers for this application. Expected costs related to the portal are approximately $5,000.

Proprietary Satellite Tracking Products

We intend to develop our own satellite tracking products by the end of 2015. We have identified a specific product, known as a dual-mode asset tracker, and have entered into a binding agreement for the purchase of related intellectual property and the development, certification and subsequent marketing of dual-mode asset trackers to existing and potential customers. The dual-mode asset tracker operates through traditional cellular networks in populated areas such as cities, and then automatically switches to satellite mode when used in remote areas where there is no cellular coverage, including oceans and deserts. Many of our target customers for this product use cellular-only trackers which will not work in remote areas whereas other target customers use satellite-only trackers which do not work very well in urban areas as they need clear line of sight to the sky. We anticipate that we will be able to develop and certify the new dual-mode tracker for approximately $50,000 to $75,000 and believe there is strong customer demand based on existing customer requests.

We also intend to develop additional personal and asset tracking products suitable for government and recreational users. Users of these devices will be able to see the location and movements of their devices through our OrbitalTrack portal. Anticipated costs for completion are approximately $75,000 to $100,000. These products will operate on the Iridium, Inmarsat, Globalstar and Thuraya satellite networks.

Industry and Market

We compete in the mobile satellite products and services sector of the global communications industry. The products and airtime that we sell are intended to meet users' needs for connectivity in all locations where existing terrestrial wireline and wireless communications networks do not exist, do not provide sufficient coverage, or are impaired. Government organizations, including military and intelligence agencies and disaster response agencies, non-governmental organizations and industrial operations and support teams depend on mobile voice and data satellite communications products and services on a regular basis. Businesses with global operations require reliable communications services when operating in remote locations around the world. Mobile satellite services users span many sectors, including emergency services, maritime, aviation, government, utilities, oil and gas, mining, recreation, forestry, heavy equipment, construction, and transportation, among others. Many of our customers view satellite communications products and services as critical to their daily operations.

There is an existing, and we believe significantly growing, multi-billion dollar global market for a small and cost effective solution for receiving and processing mobile voice and data communications from remote locations used in applications such as tracking vehicles or asset shipments, monitoring unattended remote assets or mobile security. Over the past two decades, the global mobile satellite services market has experienced significant growth. Increasingly, better-tailored, improved-technology products and services are creating new channels of demand for mobile satellite services. Growth in demand for mobile satellite voice services is driven by the declining cost of these services, the diminishing size and lower costs of the devices, as well as heightened demand by governments, businesses and individuals for ubiquitous global voice and data coverage. We believe our solutions are ideally suited for industries such as maritime, aviation, government/military, emergency/humanitarian services, mining, forestry, oil and gas, heavy equipment, transportation and utilities, as well as recreational users. We do not tailor our products and services to different types of customers as in our experience military, non-profit, government and recreational users tend to purchase the same types of products and services.

Competition

The competitors for our satellite telecommunications services and products are other leading satellite networks such as Iridium, Inmarsat, Thuraya and Globalstar, and their various resellers such as Network Innovations, Applied Satellite Technology (AST) and Satcom Global. We expect the competition for our satellite telecommunications services and our satellite tracking and monitoring services to increase significantly as the market demand accelerates. We believe that we will be well positioned to compete for the satellite telecommunications services business largely on a cost basis. We believe that we will be able to charge our customers lower prices for satellite airtime than our competitors due to the preferential pricing we have with Globalstar due to the Globalstar agreements. We believe that we will be able to compete in the MSS market due to our competitive pricing, varied products and easy to use website and Amazon storefront.

Intellectual Property

Our success and ability to compete depends in part on our ability to maintain our trade secrets. All of our employees and consultants are subject to non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. In connection with the purchase of the contracts from GTC and related agreements, GTC and its parent World Surveillance Group, Inc. agreed to keep confidential certain information. In February 2015 we purchased certain software, including source code and executable code, and electronic files required for the development of dual mode trackers.

Research and Development

We spent $0 in the fiscal years ending December 31, 2013 and December 31, 2014 on research and development.

Regulatory Matters

Government contract laws and regulations affect how we will do business with our customers, and in some instances, will impose added costs on our business. A violation of specific laws and regulations could result in the imposition of fines and penalties, the termination of any then existing contracts or the inability to bid on future contracts. We intend our Orbital Sub to become qualified as a government contractor.

International sales of our products may also be subject to U.S. and foreign laws, regulations and policies like the United States Department of State restrictions on the transfer of technology, International Traffic in Arms Regulation ("ITAR") and other export laws and regulations and may be subject to first obtaining licenses, clearances or authorizations from various regulatory entities. This may limit our ability to sell our products abroad and the failure to comply with any of these regulations could adversely affect our ability to conduct our business and generate revenues as well as increasing our operating costs. Our products may also be subject to regulation by the National Telecommunications and Information Administration and the Federal Communications Commission that regulate wireless communications.

Sources and Availability of Components

Certain materials and equipment for our products are custom made for those products and are dependent upon either a single or limited number of suppliers. Failure of a supplier could cause delays in delivery of the products if another supplier cannot promptly be found or if the quality of such replacement supplier's components are inferior or unacceptable.

Employees

We currently have 7 full time and 2 part time employees, not including David Phipps, our Chief Executive Officer and the President of Orbital Satcom, and David Rector, our Chief Financial Officer. Mr. Phipps works for us full time. Mr. Rector devotes approximately 10 to 15 hours per week to the Company's business.

Facilities and Material Properties

We rent our office space in Poole, England, for $2,500 per month and office space at 18851 N.E. 29th Ave, Suite 700, Aventura, Florida 33180 for $250 per month. We anticipate expanding our UK office shortly which may incur additional rental charges.

Legal Proceedings

From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. We are 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 we are a party or to which any of our properties is subject, which would reasonably be likely to have a material adverse effect on our business, financial condition and operating results.

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MANAGEMENT

The following table presents information with respect to our officers, directors and significant employees as of the date of this prospectus:

Name and Address	Age	Date First Elected or Appointed	Position(s)
David Phipps	49	February 19, 2015	Chief Executive Officer and Chairman
Hector Delgado	46	May 27, 2015	Director
Theresa Carlise	56	June 9, 2015	Chief Financial Officer, Treasurer and Secretary

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. The Board of Directors shall not appoint any new members or vote to increase its size in the absence of the written consent of Mr. Phipps. The Board of Directors elects officers and their terms of office are at the discretion of the Board of Directors.

Background of Officers and Directors

The following is a brief account of the education and business experience during at least the past five years of our officers and directors, indicating each person's principal occupation during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

David Phipps, Chief Executive Officer and Chairman , 49, has served as the Managing Director of GTCL since 2008 and as the President of Global Telesat Corporation, a Virginia corporation ("GTC") and a competitor of the Company, from 2003 through 2014. He has served as the President of Orbital Satcom since February 19, 2015, as Chairman of the Board of Directors of the Company since February 24, 2015 and Chief Executive Officer since February 25, 2015. Mr. Phipps was chosen as a director of the Company based on his knowledge of and relationships in the global satellite communications business.

Hector Delgado, Director, 46, was appointed to the Board of Directors on May 27, 2015. Mr. Delgado is currently the Executive Officer of the Naval Reserve Special Operations Command South (SOCSOUTH) Detachment 108. He has also served as a Special Agent in the United States Department of Homeland Security since 1995 and as the Managing Member of ISR Strategies, LLC, a full service security consulting company, since 2010. He is a United States Navy SEAL with active and reserve service for over twenty-eight years. In 2006, he was mobilized and served a combat tour in Ramadi, Iraq with SEAL Team THREE receiving a Navy Commendation Medal with Combat "V". He has served with SEAL Teams TWO, THREE, FOUR, EIGHTEEN and Special Operations Command Central and South. Mr. Delgado has participated in tours of duty in the Middle East, Europe, Africa and South America. He has also served as an adjunct instructor at the United States Merchant Marine Academy teaching maritime security and conducting International Ship Security Code (ISPS) training and assessments. His managerial expertise has been refined not only in a military environment, but also extensively in the governmental sector, where he has been responsible for the budgets, training, and logistics of thousands of people. Mr. Delgado was chosen as a director of the Company based on his leadership and entrepreneurial experience and particular familiarity with the military and governmental agencies.

Theresa Carlise, Chief Financial Officer, Treasurer and Secretary, 56, was appointed Chief Financial Officer, Treasurer and Secretary on June 9, 2015. She joined the Company from FTE Networks (OTCBB FTNW), a leading provider of infrastructure services for the telecommunications and wireless sector, where she served as a financial advisor from May 2014 through March 2015 and Chief Financial Officer and director from September 2011 through May 2014. Prior to FTE Networks, she served as the Chief Executive Officer, Chief Financial Officer and a director of Control System & Instrumentation (CSI) Consultants, which provided information technology consulting and system design to the industrial and manufacturing sectors, from July 2010 to September 2011 and as Chief Financial Officer and a director of Las Vegas Railway Express, Inc. (OTCBB LVRE), a developer of passenger rail transportation and related ancillary services, from December 2009 through July 2010. Ms. Carlise also served as the Chief Financial Officer of Shearson Financial Network, Inc. (OTCBB SFNN), and as Chief Financial Officer, senior vice president and a director of National Record Mart, Inc., (NASDAQ NRMI). From October 2006 to November 2007 Ms. Carlise served as Chief Financial Officer of Shearson Financial Network, Inc., a direct to consumer mortgage banking company. Declining market conditions in the mortgage banking industry in 2007, contributed to the Company filing a voluntary petition under Chapter 11 of the United States Bankruptcy Code in June of 2008. Ms. Carlise holds a Bachelor of Science in Finance from Indiana University of Pennsylvania.

Family Relationships

There are no family relationships between any of our directors, executive officers or directors except as set forth herein.

Involvement in Certain Legal Proceedings

During the past ten years, none of our officers, directors, promoters or control persons have been involved in any legal proceedings as described in Item 401(f) of Regulation S-K except as set forth herein.

Term of Office

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. The Board of Directors shall not appoint any new members or vote to increase its size in the absence of the written consent of Mr. Phipps.

Director Independence

Mr. Phipps is not an "independent" director based on the definition of independence in the listing standards of the NASDAQ Stock Market LLC (“NASDAQ”). Mr. Delgado is an "independent" director based on the definition of independence in the listing standards of NASDAQ.

Committees of the Board of Directors

Audit Committee. We intend to establish an audit committee of the Board of Directors once we have satisfied the other initial listing standards for listing our common stock on the Nasdaq Stock Market or another national exchange. The audit committee will consist of independent directors, of which at least one director will qualify as a qualified financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. The audit committee’s duties will be to recommend to our Board of Directors the engagement of independent auditors to audit our financial statements and to review our accounting and auditing principles. The audit committee will review the scope, timing and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent public accountants, including their recommendations to improve the system of accounting and internal controls. The audit committee will at all times be composed exclusively of directors who are, in the opinion of our Board of Directors, free from any relationship that would interfere with the exercise of independent judgment as a committee member and who possess an understanding of financial statements and generally accepted accounting principles.

Compensation Committee. We intend to establish a compensation committee of the Board of Directors once we have satisfied the other initial listing standards for listing our common stock on the Nasdaq Stock Market or another national exchange. The compensation committee will review and approve our salary and benefits policies, including compensation of executive officers. The compensation committee will also administer our stock option plans and recommend and approve grants of stock options under such plans.

Nominating Committee. We intend to establish a nominating committee of the Board of Directors once we have satisfied the other initial listing standards for listing our common stock on the Nasdaq Stock Market or another national exchange. The nominating committee will consider and make recommendations on matters related to the practices, policies and procedures of the Board and take a leadership role in shaping our corporate governance. As part of its duties, the nominating committee would assess the size, structure and composition of the Board and its committees, and coordinate the evaluation of Board performance. The nominating committee would also act as a screening and nominating committee for candidates considered for election to the Board.

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Board Leadership Structure and Role in Risk Oversight

Our Board of Directors is primarily responsible for overseeing our risk management processes on behalf of the Company. The Board of Directors receives and reviews periodic reports from management, auditors, legal counsel, and others, as considered appropriate regarding our Company's assessment of risks. The Board of Directors focuses on the most significant risks facing our Company and our Company's general risk management strategy, and also ensures that risks undertaken by our Company are consistent with the Board's appetite for risk. While the Board oversees our Company's risk management, management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our Company and that our Board leadership structure supports this approach.

EXECUTIVE COMPENSATION

The following table summarizes the overall compensation earned over each of the past two fiscal years ending December 31, 2014 by each person who served as our principal executive officer during fiscal 2014.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Patrick Avery (2) (Former Chief Executive Officer, Chief Financial Officer, Secretary and	2014	-	-	-	-
Treasurer)	2013	-	-	-	-
Andrew Uribe (3) (Former Chief Executive Officer, Chief Financial Officer, Secretary and	2014	-	$ 89,917	$ 2,500	$ 92,417
Treasurer)	2013	-	-	-	-
Glenn Kesner (4)	2014	-	-	$ 5,000	$ 5,000
(Former Secretary)	2013	-	-	-	-
David Rector (5) (Former Chief Financial Officer and Secretary; Former Chief Executive	2014	-	-	$ 15,000	$ 15,000
Officer)	2013	-	-	-	-

(1) Reflects the grant date fair values of stock awards calculated in accordance with FASB Accounting Standards Codification Topic 718. All stock awards have been adjusted for our 1:150 reverse stock split effective March 28, 2014.

(2) Mr. Avery was appointed as our Chief Executive Officer, President, Chief Financial Officer and Treasurer on January 21, 2014. He resigned from all officer positions with the Company on August 18, 2014.

(3) Mr. Uribe was appointed as our Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer on November 8, 2013. On January 21, 2014, Mr. Uribe was granted 30,000 four year options to purchase shares of common stock exercisable at $0.015 per share. He resigned from all officer positions with the Company on

October 15, 2014. Mr. Uribe's options expired on January 15, 2015, three months following his resignation from all positions with the Company.

(4) Mr. Kesner was appointed as our Secretary on January 21, 2014. He resigned on October 15, 2014.

(5) Mr. Rector was appointed as our Chief Executive Officer, Chief Financial Officer and Secretary on October 15, 2014. He resigned as Chief Executive Officer on February 25, 2015 and as Chief Financial Officer and Secretary on May 19, 2015 . During the year ended December 31, 2014, we paid consulting fees of $15,000 to an affiliated company. Mr. Rector is the President of the affiliated company.

Agreements

On January 21, 2014, we entered into an employment agreement with Patrick Avery whereby he agreed to serve as the Chief Executive Officer and Chairman of the Board of Directors for a period of two years in consideration for a base salary of $30,000 per month, subject to adjustment upon the occurrence of certain events, and an option under the Company's 2014 Equity Incentive Plan to purchase up to 7.5% of the outstanding common stock of the Company calculated on a post-Transaction pro forma basis at a per share price of $0.0001, which shall vest as follows: (i) 10% immediately on January 21, 2014, (ii) 45% on January 21, 2015 and (iii) the remaining 45% on January 21, 2016. "Transaction" is defined as (a) the consummation of a private placement of the Company's securities in which the Corporation receives gross proceeds of at least $1,000,000 and (b) the acquisition of at least fifty lease holdings in the Holbrook Basin in Arizona. Mr. Avery resigned from all positions with the Company on August 18, 2014, and, in exchange for release from his the non-competition clauses in his employment agreement, released the Company from all claims.

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On January 21, 2014, Mr. Kesner, the holder of the majority of our voting stock at the time, was appointed as our secretary. Also on such date we entered into a consulting agreement with Mr. Kesner pursuant to which he agreed to provide administrative and management services to the Company for compensation of $7,500 per month and reimbursement for the cost of group family health insurance. On October 15, 2014, Mr. Kesner resigned as the Secretary of the Company. The Company entered into a separation agreement with Mr. Kesner pursuant to which, in exchange for a release of all claims against the Company, he received a one-time severance payment of $5,000.

The Company has paid an affiliated company of which Mr. Rector is the President a monthly fee of $3,000 since August 2014. On February 19, 2015 Mr. Rector was issued 850,000 shares of common stock and a seven year option to purchase shares of common stock. The option is immediately exercisable into 2,150,000 shares of common stock at a purchase price of $0.05 per share.

The Company entered into an employment agreement with Ms. Carlise on June 9, 2015. The agreement has a term of one year, and shall automatically be extended for additional terms of one year each. The agreement provides for an annual base salary of $72,000. In addition to the base salary Ms. Carlise shall be 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.

Upon the closing of the share exchange with GTCL on February 19, 2015, Orbital Satcom entered into an employment agreement with Mr. Phipps (the “Phipps Employment Agreement”), whereby Mr. Phipps agreed to serve as the President of Orbital Satcom for a period of two years, subject to renewal, in consideration for an annual salary of $180,000. Additionally, under the terms of the Phipps Employment Agreement, Mr. Phipps shall be eligible for an annual bonus if the Company meets certain criteria, as established by the Board of Directors. Mr. Phipps remains the sole director of GTCL following the closing of the Share Exchange. The Company pays Mr. Phipps an additional monthly fee of $3,000 for his services as a director of the company.

Directors’ Compensation

On January 21, 2014, the Board approved non-employee director fees of $1,000 per month and issued to each of Andrew Uribe and Mohit Bhansali, former directors of the Company, a four year option to purchase up to 30,000 shares of the Company’s issued and outstanding common stock at a cashless exercise price of $0.015 per share. The Company has not paid Mr. Uribe and Mr. Bhansali the monthly fees. On October 15, 2014, each of Mr. Uribe and Mr. Bhansali resigned from the Board of Directors of the Company. The Company entered into separation agreements with each of Mr. Uribe and Mr. Bhansali pursuant to which, in exchange for a release of all claims against the Company, each received a one-time severance payment of $2,500.

Mr. Phipps and Mr. Rector received no compensation from the Company except as described above. The Company pays Mr. Delgado a monthly fee of $3,000 for his services as a director of the company.

Grants of Plan Based Awards and Outstanding Equity Awards at Fiscal Year-End

34,000,000 shares of our common stock are reserved for issuance under the 2014 Equity Incentive Plan as awards to employees, directors, consultants, advisors and other service providers. The following table gives information about the Company’s common stock that may be issued upon the exercise of options granted to employees, directors and consultants under its 2014 Equity Incentive Plan as of December 31, 2014, as adjusted for the Reverse Split.

Option awards	Stock awards

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares of units of stock that have not vested ($)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)
Patrick Avery (1)	0	0	0	-	-	-	-	-	-
Andrew Uribe (2)	30,000	0	0	$0.015	1/15/15	-	-	-	-
Glenn Kesner	0	0	0	-	-	-	-	-	-
David Rector	0	0	0	-	-	-	-	-	-

(1) On January 21, 2014 Mr. Avery was issued an option under the Company's 2014 Equity Incentive Plan to purchase up to 7.5% of the outstanding common stock of the Company calculated on a post-Transaction pro forma basis at a per share price of $0.0001, which shall vest as follows: (i) 10% immediately on January 21, 2014, (ii) 45% on January 21, 2015 and (iii) the remaining 45% on January 21, 2016. "Transaction" is defined as (a) the consummation of a private placement of the Company's securities in which the Corporation receives gross proceeds of at least $1,000,000 and (b) the acquisition of at least fifty lease holdings in the Holbrook Basin in Arizona. Mr. Avery forfeited his options in connection with his resignation from all positions with the Company in August 2014.

(2) On October 15, 2014 the Mr. Uribe was issued a four year option to purchase up to 30,000 shares of the Company's issued and outstanding common stock at a cashless exercise price of $0.015 per share. Mr. Uribe's option expired on January 15, 2015, three months following his resignation from all positions with the Company.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the Board of Directors or compensation committee of any other entity that has one or more of its executive officers serving as a member of our Board of Directors.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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.

During the fiscal year ended December 31, 2012 we were party to a services and employee leasing agreement with MJI Resource Management Corp. ("MJI") pursuant to which MJI made available to us six of its employees, including our former officer and director Daniel Bleak for the purpose of performing management, operations, legal, accounting and resource location services. We directly paid the six employees $14,565 and we paid Mr. Bleak $12,775.

On May 9, 2012, we issued $37,500 of our 6% convertible debentures for an aggregate purchase price of $37,500 to Michael Brauser, a former holder of 5% or more of our securities. In connection with the agreement, Mr. Brauser received a warrant to purchase 5,000 shares of our common stock. The warrant is exercisable for a period of five years from the date of issuance at an initial exercise price of $7.50, subject to adjustment in certain circumstances. The holder may exercise the warrant on a cashless basis if the fair market value (as defined in the warrant) of one share of common stock is greater than the initial exercise price.

On November 8, 2013 we amended all $137,500 outstanding notes issued to Mr. Brauser to change the conversion price from $7.50 to $4.50 and issued Mr. Brauser 30,556 shares upon conversion of the debt.

On November 8, 2013 we amended a $14,706 note issued to Sandor Capital Master Fund LP to change the conversion price from $7.50 to $4.50 and issued to Sandor Capital Master Fund LP 3,268 shares upon his conversion of the note.

On November 8, 2013 we amended the $23,529 note issued to Mr. Bleak to change the conversion price from $7.50 to $4.50 and issued Mr. Bleak 5,229 shares upon his conversion of the note.

On November 8, 2013, Mr. Bleak cancelled 230,000 shares (on a post reverse-split basis) owned by him in connection with his resignation from all positions with the Company.

On November 8, 2013 we entered into a debt forgiveness agreement with MJI, pursuant to which MJI forgave (i) $1,264,253 owed to it pursuant to outstanding invoices less $175,000 and (ii) all other debt incurred by the Company from January 1, 2011 through the November 8, 2013. We agreed to pay MJI $175,000 upon the closing of a "Financing", as such term is defined in the debt forgiveness agreement. The $175,000 may be paid as (i) a cash payment, (ii) conversion into the applicable dollar amount of securities issued by the Company in the Financing upon the same terms provided to the other investors in the Financing or (iii) a combination of (i) and (ii). The Company is currently disputing the amount owed to MJI pursuant to the debt forgiveness agreement.

On January 21, 2014, we entered into a securities purchase agreement with Auracana LLC, an entity owned by Glenn Kesner, our Secretary and a holder of 5% or greater of our voting stock, pursuant to which we sold to Auracana our wholly owned subsidiaries H-Hybrid Technologies, Inc., a Florida corporation, and RZ Acquisition Corp., a New York corporation. We sold the subsidiaries to Auracana for a purchase price of $1.00, in part, as compensation for Mr. Kesner's prior services as an officer and director during the fiscal years ending December 31, 2010 and 2011. The terms and purchase price were not based upon an arm's length negotiation and were determined arbitrarily in order to dispose of such businesses in connection with the plans to enter into the potash business, which was subsequently abandoned by the Company.

Between March 2014 and May 2014, Marlin Capital Investments, LLC, an entity affiliated with Barry Honig, a holder of 5% or greater of our securities at the time, loaned a total of $35,000 to the Company without interest.

On September 30, 2014, Sandor Capital Master Fund LP purchased 8 million shares of our common stock at a purchase price of $0.05 per share.

On October 15, 2014, we entered into an exchange agreement with Sandor Capital Master Fund LP, who had purchased the $35,000 note from Marlin Capital Investments, LLC. Pursuant to the exchange agreement, Sandor Capital Master Fund LP exchanged the note and relinquished any and all other rights it may have pursuant to the note in exchange for 750,000 shares of our newly designated Series D Preferred Stock.

Also on October 15, 2014, the Company entered into a series of exchange agreements with Mr. Brauser, Mr. Honig and affiliates of Mr. Honig who had previously converted outstanding debentures but who were still owed unpaid interest on the debentures in the aggregate amount of $98,274. Pursuant to the exchange agreements, the holders exchanged the right to receive unpaid interest and relinquished any and all other rights they may have pursuant to the debentures in exchange for 4,250,000 shares of newly designated Series D Preferred Stock. Mr. Brauser exchanged $65,872 in outstanding interest for 2,125,000 shares of Series D Preferred Stock and Mr. Honig and affiliated parties exchanged $32,402 in outstanding interest for an aggregate of 2,125,000 shares of Series D Preferred Stock.

On December 10, 2014, the Company purchased certain contracts from Global Telesat Corp., a Virginia corporation (“GTC”) for $250,000 pursuant to an asset purchase agreement by and among the Company, its wholly owned subsidiary Orbital Satcom, GTC and World Surveillance Group, Inc. (“World”), GTC’s parent. Also on December 10, 2014, the Company, Orbital Satcom, GTC and World entered into a license agreement pursuant to which GTC granted to Orbital Satcom a fully-paid and irrevocable non-exclusive license to use certain equipment owned by GTC or its affiliates consisting of “appliques” in connection with the purchased contracts. Mr. Phipps is the founder of GTC and its former President.

Orbital Satcom purchased an aggregate of approximately $114,000 of inventory from GTCL in January, February and March 2015.

On February 11, 2015, we entered into exchange agreements with each of Sandor Capital Master Fund LP and Point Capital, Inc., a holder of 5% or more of our securities at that time. Pursuant to the exchange agreements, Sandor Capital Master Fund LP exchanged 8 million shares of common stock for 800,000 shares of the Company’s Series C Preferred Stock and Point Capital, Inc. exchanged 2 million shares of common stock for 200,000 shares of Series C Preferred Stock.

On February 19, 2015, the Company entered into a share exchange agreement with GTCL and 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 2,540,000 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 ten shares of common stock, (ii) a cash payment of $375,000 and (iii) a one-year promissory note. The note has an original principal amount of $122,536, which is equal to the total cost of certain inventory owned by GTCL immediately prior to the share exchange, and shall be repaid from the sale of the inventory following closing. Mr. Phipps was a GTCL Shareholder and the sole director of GTCL. He received in exchange for his shares of GTCL 400,000 shares of the Company’s common stock and 6,692,000 shares of Series E Preferred Stock, and was paid the full cash payment and the full amount of the note. The Company also paid Mr. Phipps an additional $25,000 at closing as compensation for transition services previously provided by him to the Company in anticipation of the share exchange.

Jenna Foster, a former GTCL Shareholder and the Secretary of GTCL, was appointed director of the Company at the closing of the share exchange. She received 400,000 shares of common stock and 320,000 shares of Series E Preferred Stock in the share exchange. Ms. Foster resigned as a director on February 24, 2015.

On February 19, 2015, the Company sold to Frost Gamma Investments Trust, a holder of 5% or more of its securities, an aggregate of 450,000 units of its securities, with 15,000 units consisting of 40 shares of common stock per unit and 435,000 units consisting of 4 shares of shares of its Series C Preferred Stock per unit at a purchase price of $2.00 per Unit for gross proceeds to the Company of $900,000.

On February 19, 2015, the Company issued 175,000 shares of common stock to MJI in full satisfaction of all outstanding debts pursuant to a settlement agreement. Up to 5,000 of the shares may be sold per day and the Company has a six month option to repurchase these shares at a purchase price of $0.75 per share.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables sets forth, as of July 9, 2015, the number of and percent of the Company's common stock and classes of preferred stock beneficially owned by: (1) all directors and nominees, naming them; (2) our executive officers, naming them; (3) our directors and executive officers as a group, without naming them; and (4) persons or groups known by us to own beneficially 5% or more of each class of our voting securities.

A person is deemed to be the beneficial owner of securities that can be acquired by him within 60 days from July 9, 2015 upon the exercise of options, warrants or convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants or convertible securities that are held by him, but not those held by any other person, and which are exercisable within 60 days of July 9, 2015 have been exercised and converted.

Amount and Nature of Beneficial Ownership

	Voting Power				Common Stock (1)				Series A Preferred Stock (2)		Series B Preferred Stock (3)	
	Number of Shares		Percent		Shares Beneficially Held		Percent		Shares Beneficially Held	Percent	Shares Beneficially Held	Percent
Name and Address of Beneficial Owner (7)												
Directors and Executive Officers												
David Phipps	558,789	(8)	4.99	%	558,789	(8)	4.99	%				
Hector Delgado												
Theresa Carlise												
Directors and Executive Officers as a Group (3 persons)	558,789	(9)	4.99	%	558,789	(8)	4.99	%				
Certain Persons												
Global Telesat Corp. (9)	2,222,222	(10)	16.56	%	2,222,222		16.56	%				
Frost Gamma	726,667	(12)	6.09	%	726,667	(12)	6.09	%				

Investments Trust (11)														
Auracana LLC (13)	5,001,466	(14)	30.96	%	21,466	(14)	30.96	%	20,000	100	%			
Barry Honig (15)	558,789	(16)	4.99	%	558,789	(16)	4.99	%				3,333	50	%
Michael Brauser (18)	558,789	(19)	4.99	%	558,789	(19)	4.99	%				3,333	50	%
ADH Capital Ventures LLC (20)	558,789	(21)	4.99	%	558,789	(21)	4.99	%						3
Sandor Capital Master Fund LP (22)	558,789	(23)	4.99	%	558,789	(23)	4.99	%						9
Point Capital (25)	558,789	(26)	4.99	%	558,789	(26)	4.99	%						2
Oban Investments LLC (27)	558,789	(28)	4.99	%	558,789	(28)	4.99	%						
DL2 Capital (29)	558,789	(30)	4.99	%	558,789	(30)	4.99	%						

* Less than 1%.

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(1) In determining the percent of common stock owned by a person or entity on July 9, 2015, (a) the numerator is the number of shares of the class beneficially owned by such person or entity, including shares which may be acquired within 60 days on exercise of warrants or options and conversion of convertible securities, and (b) the denominator is the sum of (i) the total shares of common stock outstanding on July 9, 2015 (11,198,172), and (ii) the total number of shares that the beneficial owner may acquire upon conversion of the preferred and on exercise of the warrants and options, subject to limitations on conversion and exercise as more fully described in the notes below.

(2) The holders of our Series A Preferred Stock are entitled to 250 votes for each share of Series A 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. Pursuant to the terms of the Series A Preferred Stock, a holder cannot convert any of the Series A 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 A Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits.

(3) The holders of our Series B Preferred Stock are entitled to one vote for each 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. 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 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 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) The holders of our Series C Preferred Stock are entitled to one vote for each 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. 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 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 C Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits.

(5) The holders of our Series D Preferred Stock are entitled to one vote for each 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. 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 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 D Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits.

(5) The holders of our Series E Preferred Stock are entitled to one vote for each 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. 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 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 E Preferred Stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits.

(6) Includes 706,667 shares of common stock held by Frost Gamma Investments Trust and 20,000 shares of common stock held by Dr. Philip Frost. Dr. Frost is the trustee of Frost Gamma Investments Trust and holds voting and dispositive power over the securities of the Company held by Frost Gamma Investments Trust.

(7) 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.

(8) Includes (i) 400,000 shares of common stock and (ii) 158,789 shares of common stock issuable upon conversion of Series E Preferred Stock.

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(9) The address of this beneficial owner is State Rd 405, Building M6-306A, Rm 1400, Kennedy Space Center, Florida 32815.

(10) Dennis DeMolet is the President and Chief Executive Officer of Global Telesat Corp. and holds voting and dispositive power over the securities of the Company held by Global Telesat Corp.

(11) The address of this beneficial owner is 4400 Biscayne Blvd. Miami Florida 33137.

(12) Includes 706,667 shares of common stock held by Frost Gamma Investments Trust and 20,000 shares of common stock held by Dr. Philip Frost. Dr. Frost is the trustee of Frost Gamma Investments Trust and holds voting and dispositive power over the securities of the Company held by Frost Gamma Investments Trust.

(13) The address of this beneficial owner is 101 Middlesex Turnpike, Suite 6, Burlington, Massachusetts, 01803.

(14) Glenn Kesner, a former officer and director of the Company, is the president of Auracana LLC and holds voting and dispositive power over the securities of the Company held by Auracana LLC. Includes (i) 1,466 shares of common stock held by Auracana LLC and (ii) 20,000 shares of common stock issuable upon conversion of Series A Preferred Stock held by Mr. Kesner. The holders of our Series A Preferred Stock are entitled to 250 votes for each share of Series A 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.

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

(16) Includes (i) 31,098 shares of common stock held by Barry Honig, (ii) 33,547 shares of common stock held by GRQ Consultants, Inc. 401K, (iii) 2,000 shares of common stock held by GRQ Consultants, Inc., and (iv) 492,144 shares of common stock issuable upon conversion of Series D Preferred Stock held by 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.

(17) Includes (i) 1,606,944 shares of Series D Preferred Stock held by GRQ Consultants, Inc. 401K and (ii) 118,056 shares of Series D Preferred Stock held by GRQ Consultants, Inc.

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

(19) Includes (i) 116,884 shares of common stock and (ii) 441,905 shares of common stock issuable upon conversion of Series D Preferred Stock.

(20) The address of this beneficial owner is 916 Fiddler's Creek Road, Ponte Vedra Beach, Florida 32082.

(21) Includes 558,789 shares of common stock issuable upon conversion of Series C Preferred Stock. Felicia Hess is the president of ADH Ventures LLC and holds voting and dispositive power over the securities of the company held by ADH Ventures LLC.

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

(23) Includes (i) 103,268 shares of common stock and (ii) 455,521 shares of common stock issuable upon conversion of Series C Preferred Stock. 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.

(24) Includes 100,000 shares of Series C Preferred Stock held by JSL Kids Partners LLC. Mr. Lemak is the trustee of JSL Kids Partners LLC and holds voting and dispositive power over the securities of the Company held by JSL Kids Partners LLC.

(25) The address of this beneficial owner is 25 Grand Avenue Bldg. 2, Englewood, New Jersey 07631-4369.

(26) Includes 558,789 shares of common stock issuable upon conversion of Series C Preferred Stock.

(27) The address of this beneficial owner is 347 N New River Dr. E Apt 804.

(28) Includes 558,789 shares of common stock issuable upon conversion of Series D Preferred Stock.

(29) The address of this beneficial owner is 520 NW 165th Street Road # 102, Miami, FL 33169.

(30) Includes 558,789 shares of common stock issuable upon conversion of Series E Preferred Stock.

SELLING STOCKHOLDERS

Up to 2,775,000 shares of common stock are being offered by this prospectus, all of which are being registered for sale for the account of the selling stockholders and include the following:

500,000 shares of common stock issued in our February 19, 2015 private placement;

225,000 shares of common stock issued in January 2015 as compensation for services and satisfaction of debt;

150,000 shares of common stock underlying a portion of the Series C Preferred Stock issued in our February 11, 2015 share exchange;

150,000 shares of common stock underlying a portion of the Series C Preferred Stock issued in our February 19, 2015 private placement;

300,000 shares of common stock underlying a portion of the Series D Preferred Stock issued on October 15, 2014 in exchange for outstanding promissory notes;

800,000 shares of common stock underlying a portion of the Series D Preferred Stock issued on October 15, 2014 in exchange for the right to receive owed and unpaid cash interest on converted debentures;

400,000 shares of common stock underlying a portion of the Series D Preferred Stock issued on October 15, 2014 in exchange for the right to receive owed and unpaid cash interest on converted debentures and subsequently sold to the selling stockholder in a private transaction; and

250,000 shares of common stock underlying Series E Preferred Stock issued in our February 19, 2015 share exchange with GTCL.

Each of the transactions by which the selling stockholders acquired their securities from us was exempt under the registration provisions of the Securities Act.

The 2,775,000 shares of common stock referred to above are being registered to permit public sales of the shares, and the selling stockholders may offer the shares for resale from time to time pursuant to this prospectus. The selling stockholders may also sell, transfer or otherwise dispose of all or a portion of their shares in transactions exempt from the registration requirements of the Securities Act or pursuant to another effective registration statement covering those shares. We may from time to time include additional selling stockholders in supplements or amendments to this prospectus.

The table below sets forth certain information regarding the selling stockholders and the shares of our common stock offered by them in this prospectus. The selling stockholders have not had a material relationship with us within the past three years other than as described above , in the footnotes to the table below or as a result of acquisition of other of our securities . None of the selling stockholders is a broker dealer or an affiliate of a broker dealer other than as described in the footnotes to the table below.

Beneficial ownership is determined in accordance with the rules of the SEC. The selling stockholders' percentage of ownership of our outstanding shares in the table below is based upon 11,198,172 shares of common stock outstanding as of July 9, 2015.

Under applicable SEC rules, a person is deemed to beneficially own securities which the person as the right to acquire within 60 days through the exercise of any option or warrant or through the conversion of a convertible security. Also under applicable SEC rules, a person is deemed to be the "beneficial owner" of a security with regard to which the person directly or indirectly, has or shares (a) voting power, which includes the power to vote or direct the voting of the security, or (b) investment power, which includes the power to dispose, or direct the disposition, of the security, in each case, irrespective of the person's economic interest in the security. Each listed selling stockholder has the sole investment and voting power with respect to all shares of common stock shown as beneficially owned by such selling stockholder, except as otherwise indicated in the footnotes to the table.

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Name and Address of Stockholder	Beneficial Ownership of Common Stock Prior to the Offering (1)* Number of Shares	Beneficial Ownership of Common Stock Prior to the Offering (1)* Percent	Number of Shares of Common stock Offered Pursuant to this Prospectus	Beneficial Ownership of Common Stock After the Offering (2)* Number of Shares	Beneficial Ownership of Common Stock After the Offering (2)* Percent
Frost Gamma Investments Trust (3) 4400 Biscayne Blvd. Miami, Florida 33137	726,667(4)	6.09%	500,000	661,084(5)	4.99%
Sandor Capital Master Fund LP (6) 2828 Routh Street, Suite 500 Dallas, Texas 75201	558,789(7)	4.99%	300,000(8)	661,084(9)	4.99%
Oban Investments LLC (10) 347 N New River Drive East 809 Fort Lauderdale, Florida 33301	558,789(11)	4.99%	400,000(12)	661,084(13)	4.99%
Point Capital, Inc. (14) 285 Grand Avenue Building 5 Englewood, NJ 07631	558,789(15)	4.99%	150,000(16)	661,084(17)	4.99%
Michael Brauser 4400 Biscayne Blvd., Suite 850 Miami, Florida 33137	558,789(18)	4.99%	400,000(19)	661,084(20)	4.99%
GRQ Consultants, Inc. 401k Plan (21) 555 South Federal Highway #450, Boca Raton, Florida 33432	558,789(22)	4.99%	400,000(23)	661,084(24)	4.99%
David Phipps c/o Orbital Tracking Corp. 18851 N.E. 29th Ave., Suite 700, Aventura, Florida 33180	558,789(25)	4.99%	150,000(26)	661,084(27)	4.99%
DL2 Capital , Inc. (28) 520 NW 165th Street Road # 102, Miami, FL 33169	558,789(29)	4.99%	100,000(30)	661,084(31)	4.99%
ADH Capital Ventures LLC (32) 916 Fiddler's Creek Road, Ponte Vedra Beach, Florida 32082	558,789(33)	4.99%	150,000(34)	661,084(35)	4.99%
US Commonwealth Life AI Policy # 2013-017 (36) Aon Center, 304 Ponce de Leon Ave., Suite 100, San Juan, Puerto Rico 00918	550,000	4.91%	112,500	437,500	3.30%
Sichenzia Ross Friedman Ference LLP (37) 61 Broadway, 32nd Floor, New York, New York 10006	558,789(38)	4.99%	112,500	661,084(39)	4.99%

* Pursuant to the terms of the Series B, C, D and E Preferred Stock, a holder cannot convert any of the Series B, C, D or E Preferred Stock if such holder would beneficially own, after any such conversion, more than 9.99%, 9.99%, 4.99% or 4.99%, respectively, 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 preferred stock into common stock. In this way, the holders could sell more than these limits while never holding more than those limits.

(1) As of July 9, 2015, there were 11,198,172 shares of our common stock issued and outstanding. In determining the percent of common stock beneficially owned by a selling stockholder on July 9, 2015, (a) the numerator is the number of shares of common stock beneficially owned by such selling stockholder (including shares that he has the right to acquire within 60 days of July 9, 2015), and (b) the denominator is the sum of (i) the 11,198,172 shares of common stock outstanding on July 9, 2015, and (ii) the number of shares of common stock which such selling stockholder has the right to acquire within 60 days of July 9, 2015.

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(2) Assumes that all of the shares held by the selling stockholders covered by this prospectus are sold and that the selling stockholders acquire no additional shares of common stock before the completion of this offering. However, as the selling stockholder can offer all, some, or none of its common stock, no definitive estimate can be given as to the number of shares that the selling stockholder will ultimately offer or sell under this prospectus. In determining the percent of common stock beneficially owned by a selling stockholder following the offering, based on the number of shares outstanding prior to the offering on July 9, 2015, (a) the numerator is the number of shares of common stock beneficially owned by such selling stockholder (including shares that he has the right to acquire within 60 days of July 9, 2015), and (b) the denominator is the sum of (i) the 11,198,172 shares of common stock outstanding on July 9, 2015, (ii) the number of shares of common stock which such selling stockholder has the right to acquire within 60 days of July 9, 2015 and (iii) an aggregate of 2,050,000 shares of common stock registered in this prospectus that underlie preferred stock.

(3) Dr. Philip Frost is the trustee of Frost Gamma Investments Trust and holds voting and dispositive power over the securities of the Company held by Frost Gamma Investments Trust.

(4) Includes 706,667 shares of common stock held by Frost Gamma Investments Trust and 20,000 shares of common stock held by Dr. Philip Frost. Does not include 17,400,000 shares of common stock issuable upon conversion of Series C Preferred Stock.

(5) Includes (i) 206,667 shares of common stock held by Frost Gamma Investments Trust, (ii) 20,000 shares of common stock held by Dr. Philip Frost and (iii) 434,417 shares of common stock issuable upon conversion of Series C Preferred Stock. Does not include 16,965,583 shares of common stock issuable upon conversion of Series C Preferred Stock.

(6) 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.

(7) Includes (i) 103,268 shares of common stock and (ii) 455,521 shares of common stock issuable upon conversion of Series C Preferred Stock. Does not include (i) 7,544,479 shares of common stock issuable upon conversion of Series C Preferred Stock , (ii) 15,000,000 shares of common stock issuable upon conversion of Series D Preferred Stock and (iii) 1,000,000 shares of common stock issuable upon conversion of Series C Preferred Stock held by JSL Kids Partners, LLC, of which Mr. Lemak is the trustee.

(8) Includes 300,000 shares of common stock issuable upon conversion of Series D Preferred Stock.

(9) Includes (i) 103,268 shares of common stock and (ii) 557,816 shares of common stock issuable upon conversion of Series C Preferred Stock. Does not include (i) 1,000,000 shares of common stock issuable upon conversion of Series C Preferred Stock held by JSL Kids Partners, LLC, of which Mr. Lemak is the trustee, (ii) 7,442,184 shares of common stock issuable upon conversion of Series C Preferred Stock held by Sandor Capital Master Fund LP and (iii) 14,700,000 shares of common stock issuable upon conversion of Series D Preferred Stock held by Sandor Capital Master Fund LP.

(10) 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.

(11) Includes 558,789 shares of common stock issuable upon conversion of Series D Preferred Stock. Does not include 4,441,211 shares of common stock issuable upon conversion of Series D Preferred Stock.

(12) Includes 400,000 shares of common stock issuable upon conversion of Series D Preferred Stock.

(13) 661,084 shares of common stock issuable upon conversion of Series D Preferred Stock. Does not include 3,938,916 shares of common stock issuable upon conversion of Series D Preferred Stock.

(14) Eric Weisblum is the President of Point Capital, Inc. and holds voting and dispositive power over the securities of the Company held by Point Capital, Inc.

(15) Includes 558,789 shares of common stock issuable upon conversion of Series C Preferred Stock. Does not include (i) 1,441,211 shares of common stock issuable upon conversion of Series C Preferred Stock or (ii) 2,000,000 shares of common stock issuable upon conversion of Series D Preferred Stock.

(16) Includes 150,000 shares of common stock underlying Series C Preferred Stock.

(17) Includes 661,084 shares of common stock issuable upon conversion of Series C Preferred Stock. Does not include (i) 1,188,916 shares of common stock issuable upon conversion of Series C Preferred Stock or (ii) 2,000,000 shares of common stock issuable upon conversion of Series D Preferred Stock.

(18) Includes (i) 116,884 shares of common stock and (ii) 441,905 shares of common stock issuable upon conversion of Series D Preferred Stock. Does not include 16,665 shares of common stock issuable upon conversion of Series B Preferred Stock. Does not include 41,058,095 shares of common stock issuable upon conversion of Series D Preferred Stock.

(19) Includes 400,000 shares of common stock underlying Series D Preferred Stock.

(20) Includes (i) 116,884 shares of common stock and (ii) 544,200 shares of common stock issuable upon conversion of Series D Preferred Stock. Does not include 16,665 shares of common stock issuable upon conversion of Series B Preferred Stock. Does not include 40,555,800 shares of common stock issuable upon conversion of Series D Preferred Stock.

(21) Barry 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. Barry 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.

(22) Includes (i) 31,098 shares of common stock held by Barry Honig, (ii) 33,547 shares of common stock held by GRQ Consultants, Inc. 401K, (ii) 2,000 shares of common stock held by GRQ Consultants, Inc., and (iv) 492,144 shares of common stock issuable upon conversion of Series D Preferred Stock held by GRQ Consultants, Inc. 401K. Does not include (i) 16,665 shares of common stock issuable upon conversion of Series B Preferred Stock held by Barry Honig, (ii) 2,361,120 shares of common stock issuable upon conversion of Series D Preferred Stock held by GRQ Consultants, Inc. and (ii) 15,577,296 shares of common stock issuable upon conversion of Series D Preferred Stock held by GRQ Consultants, Inc. 401K.

(23) Includes 400,000 shares of common stock underlying Series D Preferred Stock.

(24) Includes (i) 31,098 shares of common stock held by Barry Honig, (ii) 33,547 shares of common stock held by GRQ Consultants, Inc. 401K, (ii) 2,000 shares of common stock held by GRQ Consultants, Inc., and (iv) 594,439 shares of common stock issuable upon conversion of Series D Preferred Stock held by GRQ Consultants, Inc. 401K. Does not include (i) 16,665 shares of common stock issuable upon conversion of Series B Preferred Stock held by Barry Honig, (ii) 2,361,120 shares of common stock issuable upon conversion of Series D Preferred Stock held by GRQ Consultants, Inc. and (ii) 15,075,001 shares of common stock issuable upon conversion of Series D Preferred Stock held by GRQ Consultants, Inc. 401K.

(25) Includes (i) 400,000 shares of common stock and (ii) 158,789 shares of common stock issuable upon conversion of Series E Preferred Stock. Does not include 66,361,211 shares of common stock issuable upon conversion of Series E Preferred Stock.

(26) Includes 150,000 shares of common stock underlying Series E Preferred Stock.

(27) Includes (i) 400,000 shares of common stock and (ii) 261,084 shares of common stock issuable upon conversion of Series E Preferred Stock. Does not include 66,508,916 shares of common stock issuable upon conversion of Series E Preferred Stock.

(28) Leonella Treto is the Manager of DL2 Capital, Inc. and holds voting and dispositive power over the securities of the Company held by DL2 Capital, Inc.

(29) Includes (i) 400,000 shares of common stock and (ii) 158,789 shares of common stock issuable upon conversion of Series E Preferred Stock. Does not include 19,421,211 shares of common stock issuable upon conversion of Series E Preferred Stock.

(30) Includes 100,000 shares of common stock underlying Series E Preferred Stock.

(31) Includes (i) 400,000 shares of common stock and (ii) 261,084 shares of common stock issuable upon conversion of Series E Preferred Stock. Does not include 19,308,916 shares of common stock issuable upon conversion of Series E Preferred Stock.

(32) Felicia Hess is the president of ADH Ventures LLC and holds voting and dispositive power over the securities of the company held by ADH Ventures LLC.

(33) Includes 558,789 shares of common stock issuable upon conversion of Series C Preferred Stock. Does not include 2,441,211 shares of common stock issuable upon conversion of Series C Preferred Stock.

(34) Includes 150,000 shares of common stock underlying Series C Preferred Stock.

(35) Includes 661,084 shares of common stock issuable upon conversion of Series C Preferred Stock. Does not include 2,188,916 shares of common stock issuable upon conversion of Series C Preferred Stock.

(36) US Commonwealth Life AI Policy # 2013-017 is owned by The Four Camps 2013 Trust. William D. Lipkind, Esq. is the trustee of The Four Camps 2013 Trust and, in such capacity, has sole voting and dispositive power over the securities of the Company held by The Four Camps 2013 Trust.

(37) Gregory Sichenzia, Marc Ross, Richard Friedman, Michael Ference, Thomas Rose, Darrin Ocasio, Andrea Cataneo, Harvey Kesner, Benjamin Tan and Jeffrey Fessler have shared voting and dispositive power over the securities of the company held by Sichenzia Ross Friedman Ference LLP.

(38) Includes (i) 550,000 shares of common stock and (ii) 8,789 shares of common stock issuable upon conversion of Series C Preferred Stock. Does not include 841,211 shares of common stock issuable upon conversion of Series C Preferred Stock.

(39) Includes (i) 437,500 shares of common stock and (ii) 223,584 shares of common stock issuable upon conversion of Series C Preferred Stock. Does not include 626,416 shares of common stock issuable upon conversion of Series C Preferred Stock.

DESCRIPTION OF SECURITIES

We have authorized capital stock consisting of 200,000,000 shares of common stock and 20,000,000 shares of preferred stock. We plan to amend our Articles of Incorporation to increase our authorized capital stock to 700,000,000 shares of common stock and 50,000,000 shares of preferred stock.

Common Stock

The holders of common stock are entitled to one vote per share. Our certificate of incorporation does not provide for cumulative voting. The holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds. Upon liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets that are legally available for distribution. The holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock, which may be designated solely by action of the Board of Directors and issued in the future.

Preferred Stock

The Board of Directors is authorized, subject to any limitations prescribed by law, without further vote or action by the stockholders, to issue from time to time shares of preferred stock in one or more series. Each such series of preferred stock shall have such number of shares, designations, preferences, voting powers, qualifications, and special or relative rights or privileges as shall be determined by the Board of Directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights. At July 9, 2015:

20,000 shares of preferred stock were designated as Series A Preferred Stock, of which 20,000 shares were issued and outstanding;
30,000 shares of preferred stock were designated as Series B Preferred Stock, of which 6,666 shares were issued and outstanding;
4,000,000 shares of preferred stock were designated as Series C Preferred Stock, of which 3,337,443 shares were issued and outstanding;
5,000,000 shares of preferred stock were designated as Series D Preferred Stock, of which 5,000,000 shares were issued and outstanding; and
8,746,000 shares of preferred stock were designated as Series E Preferred Stock, of which 8,746,000 shares were issued and outstanding.

Series A Preferred Stock

On March 28, 2014, in connection with our merger with and into our former subsidiary Great West Resources, Inc., each issued and outstanding share of our Series A Preferred Stock, par value $0.0001 per share, was converted into 1/150th shares of Series A Preferred Stock, par value $0.0001 per share, for a total of 20,000 issued and outstanding shares of Series A 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 Preferred Stock. Each share of Series A Preferred Stock is convertible into one share each of our common stock, subject to equitable adjustments after such events as stock dividends, stock splits or fundamental corporate transactions. In the event of a liquidation, dissolution or winding up of our business, the holder of the Series A Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series A Preferred Stock's preferential payment and over our common stock. The Company is prohibited from effecting the conversion of the Series A 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 A Preferred Stock. Notwithstanding such beneficial ownership limitation, the holders of our Series A Preferred Stock are entitled to 250 votes for each share of Series A 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 of July 9, 2015, there were 20,000 shares of Series A Preferred Stock issued and outstanding convertible into up to 20,000 shares of common stock without regard to the beneficial ownership limitation.

Series B Preferred Stock

On March 28, 2014, in connection with our merger with and into our former subsidiary Great West Resources, Inc., each issued and outstanding share of our Series D Preferred Stock, par value $0.0001 per share, was converted into 1/150th shares of Series B Preferred Stock, par value $0.0001 per share, for a total of 6,666 issued and outstanding shares of Series B 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 Preferred. Each share of Series B Preferred 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 Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series B Preferred Stock's preferential payment and over our common stock. The Series B Preferred Stock is convertible into five (5) shares of the Company's common stock. The Company is prohibited from effecting the conversion of the Series B Preferred 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 Preferred Stock. Each share of Series B 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 Preferred Stock entitles the holder to cast one vote per share of Series B Preferred Stock owned at the time of such vote, subject to the 9.99% beneficial ownership limitation. As of July 9, 2015, there were 6,666 shares of Series B Preferred Stock issued and outstanding convertible into up to 33,330 shares of common stock without regard to the beneficial ownership limitation.

Series C 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 Preferred Stock, setting forth the rights, powers, and preferences of the Series C 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 Preferred Stock. Each share of Series C

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 Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series C Preferred Stock's preferential payment and over our common stock. The Series C Preferred is convertible into ten (10) shares of the Company's common stock. The Company is prohibited from effecting the conversion of the Series C 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 Preferred. Each share of Series C 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 Preferred entitles the holder to cast ten (10) votes per share of Series C Preferred Stock owned at the time of such vote, subject to the 4.99% beneficial ownership limitation. As of July 9, 2015, there were 3,337,443 shares of Series C Preferred Stock issued and outstanding convertible into up to 33,374,430 shares of common stock without regard to the beneficial ownership limitation.

Series D 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 Preferred Stock, setting forth the rights, powers, and preferences of the Series D 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 Preferred Stock. Each share of Series D 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 Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series D Preferred Stock's preferential payment and over our common stock. The Series D Preferred is convertible into 20 shares of the Company's common stock. The Company is prohibited from effecting the conversion of the Series D 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 Preferred Stock. Each share of Series D 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 Preferred Stock entitles the holder to cast 20 votes per share of Series D Preferred Stock owned at the time of such vote, subject to the 4.99% beneficial ownership limitation. As of July 9, 2015, there were 5,000,000 shares of Series D Preferred Stock issued and outstanding convertible into up to 100,000,000 shares of common stock without regard to the beneficial ownership limitation.

Series E 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 Preferred Stock, setting forth the rights, powers, and preferences of the Series E 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 Preferred Stock. Each share of Series E 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 Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series E Preferred Stock's preferential payment and over our common stock. The Series E Preferred is convertible into ten (10) shares of the Company's common stock. The Company is prohibited from effecting the conversion of the Series E 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 E Preferred Stock. Each share of Series E 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 Preferred Stock entitles the holder to cast ten votes per share of Series E Preferred Stock owned at the time of such vote, subject to the 4.99% beneficial ownership limitation. As of July 9, 2015, there were 8,746,000 shares of Series E Preferred Stock issued and outstanding convertible into up to 87,460,000 shares of common stock without regard to the beneficial ownership limitation.

Options

The maximum number of shares of common stock that may be delivered pursuant to awards granted to eligible persons under the Company's 2014 Equity Incentive Plan may not exceed 34,000,000 shares of common stock, subject to certain adjustments. As of July 9, 2015 , the Company has issued options to purchase an aggregate of 2,150,000 shares of common stock under its 2014 Equity Incentive Plan to Mr. Rector, a former officer and director . The options have an exercise price of $0.05 per share, were fully vested on the date of grant and shall expire in February

2022.

Warrants

As of July 9, 2015, the Company has issued and outstanding warrants to purchase an aggregate of 490,000 shares of common stock. 240,000 warrants have an exercise price of $3.75, 5,000 warrants have an exercise price of $4.50, and 245,000 warrants have an exercise price of $3.75.

Other Convertible Securities

As of July 9, 2015 , other than the securities described above, the Company does not have any outstanding convertible securities.

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Restrictions on Alienability

250,000 shares of common stock issued to the Company's controller in February 2015 are subject to a one year lockup. A former consultant who was issued 175,000 shares of common stock may only sell up to 5,000 shares per day on the public markets and the Company has the option through August 19, 2015 to repurchase these shares from the former consultant at a price of $0.75 per share.

In the event that we issue common stock or securities convertible into common stock at a price that is lower than $0.05 per share of common stock, subject to certain exceptions, holders of an aggregate of 25,624,425 shares of our common stock and common stock underlying certain preferred shares will be entitled to receive additional securities. We will be required to issue to these holders additional securities such that they will hold that number of shares of common stock or securities convertible into common stock as if they had originally purchased their securities at the lower price.

Indemnification of Directors and Officers

Neither our articles of incorporation nor bylaws prevent us from indemnifying our officers, directors and agents to the extent permitted under the Nevada Revised Statutes ("NRS"). NRS Section 78.7502, provides that a corporation may indemnify any director, officer, employee or agent of a corporation against expenses, including fees, actually and reasonably incurred by him in connection with any defense to the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to Section 78.7502(1) or 78.7502(2), or in defense of any claim, issue or matter therein.

NRS 78.7502(1) provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he: (a) is not liable pursuant to NRS 78.138; or (b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

NRS Section 78.7502(2) provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he: (a) is not liable pursuant to NRS 78.138; or (b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals there from, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

NRS Section 78.747 provides that except as otherwise provided by specific statute, no director or officer of a corporation is individually liable for a debt or liability of the corporation, unless the director or officer acts as the alter ego of the corporation. The court as a matter of law must determine the question of whether a director or officer acts as the alter ego of a corporation.

Our charter provides that we will indemnify our directors, officers, employees and agents to the extent and in the manner permitted by the provisions of the NRS, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any stockholders' or directors' resolution or by contract. Any repeal or modification of these provisions approved by our stockholders will be prospective only and will not adversely affect any limitation on the liability of any of our directors or officers existing as of the time of such repeal or modification. We are also permitted to apply for insurance on behalf of any director, officer, employee or other agent for liability arising out of his actions, whether or not the NRS would permit indemnification.

Our bylaws provide that a director or officer of the Company shall have no personal liability to the Company or its stockholders for damages for breach of fiduciary duty as a director or officer, except for damages for breach of fiduciary duty resulting from (a) acts or omissions which involve intentional misconduct, fraud, or a knowing violation of law, or (b) the payment of dividends in violation of section 78.3900 of the NRS as it may from time to time be amended or any successor provision thereto.

PLAN OF DISTRIBUTION

Each selling stockholder of the common stock and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on the OTC Markets or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. A selling stockholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise; a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling stockholders may also sell shares of the common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act, in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling stockholder has informed us that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the common stock. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

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Because selling stockholders may be deemed to be “underwriters” within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act, including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling stockholders.

Under applicable rules and regulations under the Securities Exchange Act of 1934, as amended, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling stockholders will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the common stock by the selling stockholders or any other person. We will make copies of this prospectus available to the selling stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

LEGAL MATTERS

Sichenzia Ross Friedman Ference LLP, New York, New York, will pass upon the validity of the shares of common stock offered by the selling stockholders under this prospectus. Sichenzia Ross Friedman Ference LLP is the beneficial holder of 550,000 shares of common stock, of which 112,500 are being registered for resale in this prospectus, and 85,000 shares of Series C Preferred Stock.

EXPERTS

The financial statements of Orbital Tracking Corp. for the fiscal years ended December 31, 2014 and 2013 have been audited by RBSM LLP, an independent registered public accounting firm as set forth in its report, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements for the fiscal years ended September 30, 2014 and 2013 relating to the interests in the revenues and cost of sales of the satellite airtime and trackers acquired by the Company in December 2014 have been audited by RBSM LLP, an independent registered public accounting firm as set forth in its report, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of GTCL for the fiscal years ended December 31, 2014 and 2013 have been audited by RBSM LLP, an independent registered public accounting firm as set forth in its report, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission (the “SEC”) a registration statement on Form S-1, together with any amendments and related exhibits, under the Securities Act, with respect to our shares of common stock offered by this prospectus. The registration statement contains additional information about us and our shares of common stock that we are offering in this prospectus.

We file annual, quarterly and current reports and other information with the SEC under the Securities Exchange Act. Our SEC filings are available to the public over the Internet at the SEC’s website at http://www.sec.gov. Access to these electronic filings is available as soon as practicable after filing with the SEC. You may also read and copy any document we file at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. You may also request a copy of those filings, excluding exhibits, from us at no cost. Any such request should be addressed to us at: 18851 N.E. 29th Ave., Suite 700, Aventura, Florida 33180, Attention: David Phipps.

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ORBITAL TRACKING CORP. AND SUBSIDIARY
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MARCH 31, 2015

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The Company’s unaudited financial statements for the three months ended March 31, 2015 and for comparable periods in the prior year are included below. The financial statements should be read in conjunction with the notes to financial statements that follow.

ORBITAL TRACKING CORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED BAL AN CE SHEETS AS OF

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash	$ 531,934	$ 65,892
Accounts receivable, net	98,444	82,986
Inventory	226,931	183,780
Unbilled revenue	32,254	25,612
Prepaid expenses - current portion	222,222	-
Other current assets	71,160	25,764
Total current assets	1,182,944	384,034
Property and equipment, net	85,981	58,413
Intangible Assets, net	293,750	-
Prepaid expenses - long term portion	1,931,900	-
Total assets	$ 3,494,575	$ 442,447
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 607,078	$ 299,877
Deferred revenue	21,932	28,891
Note payable	122,536	59,308
Derivative liabilities	4,703	-
Liabilities from discontinued operations	112,397	-
Total current liabilities	868,646	388,076
Total Liabilities	868,646	388,076
Stockholders' Equity:		
Preferred Stock, $0.0001 par value; 20,000,000 shares authorized		
Series A ($0.0001 par value; 20,000 shares authorized, 20,000 and none shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively)	2	-
Series B ($0.0001 par value; 30,000 shares authorized, 6,666 and none shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively)	1	-
Series C ($0.0001 par value; 4,000,000 shares authorized, 3,337,442 and none shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively)	334	