

ON THE MOVE SYSTEMS CORP.  
Form 10-Q  
April 16, 2018

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

**FORM 10-Q**

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

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2017

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 0-55079

**ON THE MOVE SYSTEMS CORP.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of Incorporation or  
organization)

**27-2343603**  
(I.R.S. Employer Identification Number)

**701 North Green Valley Parkway, Suite 200**  
**Henderson, Nevada**  
(Address of principal executive offices)

**89074**  
(Zip code)

**(702) 990-3271**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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  No

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 125,004,554 shares of common stock were issued and outstanding as of April 13, 2018.



	<b>PAGE</b>
<b>PART I</b>	<b>FINANCIAL INFORMATION</b>
ITEM 1.	Financial Statements 3
	Consolidated Balance Sheets as of November 30, 2017 and February 28, 2017 (Unaudited) 3
	Consolidated Statements of Operations for the Three and Nine Months Ended November 30, 2017 and for the Three Months Ended November 30, 2016 and the Period from Inception (July 26, 2016) through November 30, 2016 (Unaudited) 4
	Consolidated Statements of Cash Flows for the Nine Months Ended November 30, 2017 and the Period from Inception (July 26, 2016) through November 30, 2016 (Unaudited) 5
	Notes to the Consolidated Financial Statements (Unaudited) 6
ITEM 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations 21
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk 25
ITEM 4.	Controls and Procedures 25
<b>PART II</b>	<b>OTHER INFORMATION</b>
ITEM 1.	Legal Proceedings 26
ITEM 1A.	Risk Factors 26
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds 26
ITEM 3.	Defaults Upon Senior Securities 26
ITEM 4.	Mine Safety Disclosures 26
ITEM 5.	Other Information 26
ITEM 6.	Exhibits 27
<b>SIGNATURES</b>	27

**PART 1 – FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**ON THE MOVE SYSTEMS CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<b>November 30, 2017</b>	<b>February 28, 2017</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 47,320	\$ 56,907
Accounts receivable	28,000	7,778
Robot parts inventory	153,969	—
Deposits on robots	38,890	150,000
Note receivable	40,000	—
Total current assets	308,179	214,685
Revenue earning robots, net of accumulated depreciation of \$18,626 and \$3,544, respectively	193,169	81,506
Fixed assets, net of accumulated depreciation of \$45,069 and \$2,650, respectively	321,768	45,052
Intangible assets, net	59,851	—
Security deposit	25,747	—
Total assets	\$ 908,714	\$ 341,243
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 184,175	\$ 12,720
Advances payable	1,594	—
Balance due on acquisition of WeSecure	50,000	—
Customer deposits	10,000	20,000
Current portion of convertible notes payable, net of discount of \$2,533,979 and \$0, respectively	1,564,567	—
Loan payable - related party	334,477	62,529
Vehicle loan - current portion	17,776	7,900
Current portion of accrued interest payable	492,690	—
Derivative liability	19,768,186	—
Total current liabilities	22,423,465	103,149
Convertible notes payable, net of discount of \$832,373 and \$0, respectively	132,763	365,000
Accrued interest payable	105,739	—

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Vehicle loan	69,328	38,134
Total liabilities	22,731,295	506,283
<b>Shareholders' deficit:</b>		
Preferred Stock, undesignated; 15,645,650 shares authorized; no shares issued and outstanding, respectively	—	—
Series E Preferred Stock, \$0.001 par value; 4,350,000 shares authorized; 4,350,000 and 3,350,000 shares issued and outstanding, respectively	4,350	3,350
Series F Convertible Preferred Stock, \$1.00 par value; 4,350 shares authorized; 3,450 and 2,450 shares issued and outstanding, respectively	3,450	2,450
Common Stock, \$0.001 par value; 480,000,000 shares authorized 125,004,554 and no shares issued and outstanding, respectively	125,005	—
Additional paid-in capital	1,105,558	13,857
Accumulated deficit	(23,060,944)	(184,697)
Total shareholders' deficit	(21,822,581)	(165,040)
Total liabilities and shareholders' deficit	\$ 908,714	\$ 341,243

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

**ON THE MOVE SYSTEMS CORP.****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

	<b>Three Months Ended November 30, 2017</b>	<b>Three Months Ended November 30, 2016</b>	<b>Nine Months Ended November 30, 2017</b>	<b>Period from Inception (July 26, 2016) through November 30, 2016</b>
<b>Revenues</b>	\$ 63,632	\$ —	\$ 98,632	\$ —
<b>Cost of goods sold</b>	45,000	—	45,000	—
<b>Gross Profit</b>	18,632	—	53,632	—
<b>Operating expenses</b>				
Research and development	216,679	47,127	306,312	47,127
General and administrative	855,707	15,937	1,585,697	18,177
Depreciation and amortization	41,095	—	74,789	—
Loss on impairment of fixed assets	32,322	—	125,264	—
Total operating expenses	1,145,803	63,064	2,092,062	65,304
Loss from operations	(1,127,171)	(63,064)	(2,038,430)	(65,304)
<b>Other income (expense)</b>				
Change in fair value of derivative liabilities	(4,246,903)	—	(3,495,662)	—
Interest expense	(4,597,875)	—	(7,446,670)	—
Gain on settlement of debt	1,175,028	—	1,175,028	—
Total other income (expense)	(7,669,750)	—	(9,767,304)	—
<b>Net loss</b>	\$ (8,796,921)	\$ (63,064)	\$ (11,805,734)	\$ (65,304)
Net loss per common share - basic and diluted	\$ (0.07)	\$ —	\$ (0.29)	\$ —
Weighted average common share outstanding - basic and diluted	118,692,416	—	40,820,603	—

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



**ON THE MOVE SYSTEMS CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Nine Months Ended November 30, 2017</b>	<b>Period from Inception (July 26, 2016) through November 30, 2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (11,805,734)	\$ (65,304)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	74,789	—
Loss on impairment of fixed assets	125,264	—
Change in fair value of derivative liabilities	3,495,662	—
Interest expense related to derivative liability in excess of face value of debt	6,524,664	—
Amortization of debt discount	691,607	—
Gain on settlement of debt	(1,175,028)	—
Changes in operating assets and liabilities:		
Accounts receivable	(20,222)	—
Deposits on robots	(230,170)	—
Robot parts inventory	(107,870)	—
Accounts payable and accrued expenses	66,048	—
Accrued interest payable	139,212	—
Customer deposits	(10,000)	—
Net cash used in operating activities	(2,231,778)	(65,304)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(245,102)	—
Cash proceeds from WeSecure transaction	17,000	—
Cash paid for security deposit	(25,747)	—
Cash acquired in reverse recapitalization	2,022	—
Net cash used in investing activities	(251,827)	—
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from convertible notes payable, net	1,492,500	25,000
Principal payments on convertible notes payable	(50,000)	—
Net borrowings on loan payable - related party	237,948	46,990
Loan from OMVS to RAD prior to the reverse recapitalization	752,500	—
Proceeds from vehicle loan	47,661	—
Repayment of vehicle loan	(6,591)	—
Net cash provided by financing activities	2,474,018	71,990

Net change in cash		(9,587)		6,686
Cash, beginning of period		56,907		—
Cash, end of period	\$	47,320	\$	6,686
Supplemental disclosure of cash flow information:				
Cash paid for interest	\$	22,320	\$	—
Cash paid for income taxes	\$	—	\$	—
Noncash investing and financing activities:				
Transfer of robots from deposits to fixed assets and revenue earning robots	\$	341,280	\$	—
Debt discount from derivative liabilities	\$	2,033,475	\$	—
Conversion of convertible notes and interest to shares of common stock	\$	123,000	\$	—
Settlement and exchange of convertible notes payable	\$	300,000	\$	—

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

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**1. GENERAL INFORMATION**

On the Move Systems Corp. (“OMVS” or the “Company”) was incorporated in Florida on March 25, 2010 and reincorporated in Nevada on February 17, 2015.

Robotic Assistance Devices, LLC (“RAD”), was incorporated in the State of Nevada on July 26, 2016 as a LLC. On July 25, 2017, Robotic Assistance Devices LLC converted to a C Corporation, Robotic Assistance Devices, Inc. through the issuance of 10,000 common shares to its sole shareholder.

On August 28, 2017, OMVS completed the acquisition of RAD (the “Acquisition”), whereby OMVS acquired all the ownership and equity interest in RAD for 3,350,000 shares of OMVS Series E Preferred Stock and 2,450 shares of Series F Convertible Preferred Stock. OMVS’s prior business focus was transportation services, and OMVS was exploring the on-demand logistics market by developing a network of logistics partnerships. As a result of the closing of the Acquisition, OMVS has succeeded to the business of RAD, in which OMVS purchased all of the outstanding shares of capital stock of RAD. As a result, OMVS’s business going forward will consist of one segment activity which is the delivery of artificial intelligence and robotic solutions for operational, security and monitoring needs.

The Acquisition was treated as a reverse recapitalization effected by a share exchange for financial accounting and reporting purposes since substantially all of OMVS’s operations were disposed of as part of the consummation of the transaction. Therefore, no goodwill or other intangible assets were recorded by OMVS as a result of the Acquisition. RAD is treated as the accounting acquirer as its stockholders control the Company after the Acquisition, even though OMVS was the legal acquirer. As a result, the assets and liabilities and the historical operations that are reflected in these financial statements are those of RAD as if RAD had always been the reporting company.

**2. GOING CONCERN**

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities

that may result from the possible inability of the Company to continue as a going concern.

For the nine months ended November 30, 2017, the Company had negative cash flow from operating activities of \$2,231,778. As of November 30, 2017, the Company has an accumulated deficit of \$23,060,944 and negative working capital of \$22,115,286. Management does not anticipate having positive cash flow from operations in the near future. These factors raise a substantial doubt about the Company's ability to continue as a going concern for the twelve months following the issuance of these financial statements.

The Company does not have the resources at this time to repay its credit and debt obligations, make any payments in the form of dividends to its shareholders or fully implement its business plan. Without additional capital, the Company will not be able to remain in business.

Management has plans to address the Company's financial situation as follows:

In the near term, management plans to continue to focus on raising the funds necessary to implement the Company's business plan. Management will continue to seek out debt financing to obtain the capital required to meet the Company's financial obligations. There is no assurance, however, that lenders will continue to advance capital to the Company or that the new business operations will be profitable. The possibility of failure in obtaining additional funding and the potential inability to achieve profitability raises doubts about the Company's ability to continue as a going concern.

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**3. ACCOUNTING POLICIES**

*Principles of Consolidation*

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and in conformity with the instructions on Form 10-Q and Rule 8-03 of Regulation S-X and the related rules and regulations of the Securities and Exchange Commission (“SEC”). The unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Robotic Assistance Devices, Inc., On the Move Experience, LLC and OMV Transports, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. The unaudited consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of such statements. The results of operations for the three and nine months ended November 30, 2017 are not necessarily indicative of the results that may be expected for the entire year.

*Cash*

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks and money market instruments. The Company places its cash and cash equivalents with high-quality, U.S. financial institutions and, to date has not experienced losses on any of its balances.

*Accounts Receivable*

Accounts receivable are comprised of balances due from customers, net of estimated allowances for uncollectible accounts. In determining collectability, historical trends are evaluated, and specific customer issues are reviewed on a periodic basis to arrive at appropriate allowances.

***Robot Parts Inventory***

Robot parts inventory is stated at the lower of cost or market using the weighted average cost method. The Company records a valuation reserve for obsolete and slow-moving inventory, relying principally on specific identification of such inventory. The Company uses these robot parts in the assembly of revenue earning robots and demo robots as well as research and development. Depending on use, the Company will transfer the parts to the corresponding asset or expense if used in research and development. A charge to income is taken when factors that would result in a need for an increase in the valuation, such as excess or obsolete inventory, are noted.

***Revenue Earning Robots***

Revenue earning robots are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful life of 48 months. The Company continually evaluates revenue earning robots to determine whether events or changes in circumstances have occurred that may warrant revision of the estimated useful life or whether the robot should be evaluated for possible impairment. The Company uses a combination of the undiscounted cash flows and market approaches in assessing whether an asset has been impaired. The Company measures impairment losses based upon the amount by which the carrying amount of the asset exceeds the fair value.

***Fixed Assets***

Fixed assets are stated at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the respective assets which range from three to five years. Major repairs or improvements are capitalized. Minor replacements and maintenance and repairs which do not improve or extend asset lives are expensed currently.

Demo Robots	4 years
Vehicles	3 years
Computer equipment	3 years
Office equipment	4 years
Leasehold improvements	5 years, the life of the lease

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

The Company periodically evaluates the fair value of fixed assets whenever events or changes in circumstances indicate that its carrying amounts may not be recoverable. Upon retirement or other disposition of fixed assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is recognized in income.

***Intangible Assets***

The Company's intangible assets are stated at cost and amortized on a straight-line basis over their five year expected useful life. The Company periodically determines if there is any impairment in value every year.

***Research and Development***

Research and development costs are expensed in the period they are incurred in accordance with ASC 730, *Research and Development* unless they meet specific criteria related to technical, market and financial feasibility, as determined by Management, including but not limited to the establishment of a clearly defined future market for the product, and the availability of adequate resources to complete the project. If all criteria are met, the costs are deferred and amortized over the expected useful life or written off if a product is abandoned. At November 30, 2017 and February 28, 2017, the Company had no deferred development costs.

***Contingencies***

Occasionally, the Company may be involved in claims and legal proceedings arising from the ordinary course of its business. The Company records a provision for a liability when it believes that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. If these estimates and assumptions change or prove to be incorrect, it could have a material impact on the Company's condensed consolidated financial statements.

Contingencies are inherently unpredictable, and the assessments of the value can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions.

### ***Revenue Recognition***

Revenue is recognized when persuasive evidence of an arrangement exists, goods are delivered for rental and/or services are rendered, sales price is determinable, and collection is reasonably assured.

### ***Income Taxes***

On July 25, 2017, Robotic Assistance Devices LLC converted to a C Corporation, Robotic Assistance Devices, Inc., through the issuance of 10,000 common shares to its sole shareholder. Prior to the conversion on July 25, 2017, income taxes are not provided in the financial statements as presented as RAD was an LLC and the income or loss flowed through to the shareholder for the two months ended February 28, 2017. Thereafter, income taxes will be accounted for under the asset and liability method from that date forward. Deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and net operating loss and other tax credit carry-forwards. These items are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. RAD will record a valuation allowance to reduce the deferred income tax assets to the amount that is more likely than not to be realized.

### ***Leases***

Lease agreements are evaluated to determine if they are capital leases meeting any of the following criteria at inception: (a) transfer of ownership; (b) bargain purchase option; (c) the lease term is equal to 75 percent or more of the estimated economic life of the leased property; or (d) the present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at lease inception over any related investment tax credit retained by the lessor and expected to be realized by the lessor.

If at its inception, a lease meets any of the four lease criteria above, the lease is classified by the Company as a capital lease; and if none of the four criteria are met, the lease is classified by the Company as an operating lease.



**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term, whereby an equal amount of rent expense is attributed to each period during the term of the lease, regardless of when actual payments are made. This generally results in rent expense in excess of cash payments during the early years of a lease and rent expense less than cash payments in the later years. The difference between rent expense recognized and actual rental payments is recorded as deferred rent and included in liabilities.

*Distinguishing Liabilities from Equity*

The Company relies on the guidance provided by ASC Topic 480, *Distinguishing Liabilities from Equity*, to classify certain redeemable and/or convertible instruments. The Company first determines whether a financial instrument should be classified as a liability. The Company will determine the liability classification if the financial instrument is mandatorily redeemable, or if the financial instrument, other than outstanding shares, embodies a conditional obligation that the Company must or may settle by issuing a variable number of its equity shares.

Once the Company determines that a financial instrument should not be classified as a liability, the Company determines whether the financial instrument should be presented between the liability section and the equity section of the balance sheet (“temporary equity”). The Company will determine temporary equity classification if the redemption of the financial instrument is outside the control of the Company (i.e. at the option of the holder). Otherwise, the Company accounts for the financial instrument as permanent equity.

*Initial Measurement*

The Company records its financial instruments classified as liability, temporary equity or permanent equity at issuance at the fair value, or cash received.

*Subsequent Measurement – Financial Instruments Classified as Liabilities*

The Company records the fair value of its financial instruments classified as liabilities at each subsequent measurement date. The changes in fair value of its financial instruments classified as liabilities are recorded as other income (expenses).

### ***Fair Value of Financial Instruments***

ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC Topic 820”) provides a framework for measuring fair value in accordance with generally accepted accounting principles.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable for the asset or liability.

**ON THE MOVE SYSTEMS CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)***Measured on a Recurring Basis*

The following table presents information about our liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fell:

	<b>Amount at Fair Value</b>	<b>Fair Value Measurement Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>November 30, 2017</b>				
<b>Liabilities</b>				
Derivative liability – conversion features pursuant to convertible notes payable	\$ 19,768,186	\$ —	\$ —	\$ 19,768,186
<b>February 28, 2017</b>				
<b>Liabilities</b>				
Derivative liability – conversion features pursuant to convertible notes payable	\$ —	\$ —	\$ —	\$ —

See Note 12, for specific inputs used in determining fair value.

The carrying amounts of the Company's financial assets and liabilities, such as cash, accounts receivable, prepaid expenses and advances, accounts payable and accrued expenses, approximate their fair values because of the short maturity of these instruments.

*Earnings (Loss) per Share*

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted EPS excluded all dilutive potential shares if their effect was

anti-dilutive.

Basic net loss per share is based on the weighted average number of common and common-equivalent shares outstanding. For the period from inception (July 26, 2016) through November 30, 2016, there were no common shares outstanding. Potential common shares includable in the computation of fully-diluted per share results are not presented in the consolidated financial statements for the three and nine months ended November 30, 2017 and period from inception (July 26, 2016) through November 30, 2016 as their effect would be anti-dilutive.

Basic loss per common share is computed based on the weighted average number of shares outstanding during the period. Diluted loss per share is computed in a manner similar to the basic loss per share, except the weighted-average number of shares outstanding is increased to include all common shares, including those with the potential to be issued by virtue of convertible debt and other such convertible instruments. Diluted loss per share contemplates a complete conversion to common shares of all convertible instruments only if they are dilutive in nature with regards to earnings per share.

The anti-dilutive shares of common stock outstanding for the three and nine months ended November 30, 2017 and period from inception (July 26, 2016) through August 31, 2016 were as follows:

	<b>Three Months Ended November 30, 2017</b>	<b>Nine Months Ended November 30, 2017</b>	<b>Period from Inception (July 26, 2016) through November 30, 2016</b>
Potentially dilutive securities:			
Convertible notes payable and embedded warrants	23,016,667	23,016,667	—
Series F Convertible Preferred Stock	431,265,711	431,265,711	351,858,210

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

***Recently Adopted Accounting Pronouncements***

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2017-01, *Business Combinations: Clarifying the Definition of a Business*, which amends the current definition of a business. Under ASU 2017-01, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributes to the ability to create outputs. ASU 2017-01 further states that when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. The new guidance also narrows the definition of the term “outputs” to be consistent with how it is described in Topic 606, *Revenue from Contracts with Customers*. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions. The guidance is effective for the annual period beginning after December 15, 2017, with early adoption permitted. The Company has elected to early adopt ASU 2017-01 and to apply it to any transaction, which occurred prior to the issuance date that has not been reported in financial statements that have been issued or made available for issuance.

***Recently Issued Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This standard is effective for fiscal years and interim reporting periods beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The amendments in this update deferred the effective date for implementation of ASU 2014-09 by one year and is now effective for annual reporting periods beginning after December 15, 2017. Early application is permitted only as of annual reporting periods beginning after December 15, 2016 including interim reporting periods within that period. Topic 606 is effective for the Company in the first quarter of Fiscal 2019. The Company is currently evaluating the new revenue recognition guidance. The Company has completed its initial impact assessment and has commenced an in-depth evaluation of the adoption impact, which involves review of selected revenue arrangements. Based on the Company’s preliminary review, the Company believes that the timing and measurement of revenue for its customers will be similar to the Company’s current revenue recognition. However, this view is preliminary and could change based on further analysis associated with the conversion and implementation phases of our ASU 2014-09 project.

From March 2016 through September 2017, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting*, ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* and ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments*. These amendments are intended to improve and clarify the implementation guidance of Topic 606. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements of ASU No. 2014-09 and ASU No. 2015-14.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is effective for public entities for annual reporting periods beginning after December 15, 2018. Under ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and 2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The Company is currently evaluating the effects of ASU 2016-02 on its unaudited condensed financial statements.

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 eliminates the diversity in practice related to the classification of certain cash receipts and payments for debt prepayment or extinguishment costs, the maturing of a zero-coupon bond, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements, distributions from certain equity method investees and beneficial interests obtained in a financial asset securitization. ASU 2016-15 designates the appropriate cash flow classification, including requirements to allocate certain components of these cash receipts and payments among operating, investing and financing activities. The guidance is effective for the Company beginning after December 15, 2017, although early adoption is permitted. The Company is currently evaluating the effects of ASU 2016-15 on its unaudited condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash a consensus of the FASB Emerging Issues Task Force*. ASU 2016-18 requires restricted cash and cash equivalents to be included with cash and cash equivalents on the statement cash flows. The new standard is expected to be effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the effects of ASU 2016-18 on its unaudited condensed consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating *Topic 480, Distinguishing Liabilities from Equity*, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently assessing the potential impact of adopting ASU 2017-11 on its unaudited condensed consolidated financial statements and related disclosures.

***Subsequent Events***

The Company has evaluated all transactions through the date the consolidated financial statements were issued for subsequent event disclosure.

#### 4. DEPOSITS

Deposits on robots expected to be received within one year were comprised of the following:

	<b>November 30, 2017</b>		<b>February 28, 2017</b>	
Deposits on robots	\$	38,890	\$	150,000

#### 5. REVENUE EARNING ROBOTS

Revenue earning robots consisted of the following:

	<b>November 30, 2017</b>		<b>February 28, 2017</b>	
Revenue earning robots	\$	211,795	\$	85,050
Less: Accumulated depreciation		(18,626)		(3,544)
	\$	193,169	\$	81,506



**ON THE MOVE SYSTEMS CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)**

During the nine months ended November 30, 2017, the Company made total additions to revenue earning robots of \$256,793. Due to several revenue earning robots becoming non-operational during the nine months ended November 30, 2017, the Company wrote down revenue earning robots with a net book value of \$82,855 to \$0 as loss on impairment of fixed assets.

Depreciation expense was \$21,350 and \$35,056 for the three and nine months ended November 30, 2017, respectively, and \$0 for the period from inception (July 26, 2016) through November 30, 2016.

**6. FIXED ASSETS**

Fixed assets consisted of the following:

	<b>November 30, 2017</b>	<b>February 28, 2017</b>
Demo Robots	\$ 174,545	\$ —
Automobile	136,316	47,702
Computer equipment	29,826	—
Office equipment	17,490	—
Leasehold improvements	7,660	—
	366,837	47,702
Less: Accumulated depreciation	(45,069)	(2,650)
	\$ 321,768	\$ 45,052

During the nine months ended November 30, 2017, the Company acquired total fixed assets of \$329,589. Due to several demo robots becoming non-operational during the nine months ended November 30, 2017, the Company wrote down fixed assets with a net book value of \$42,409 to \$0 as loss on impairment of fixed assets.

Depreciation expense was \$17,695 and \$37,683 for the three and nine months ended November 30, 2017, respectively, and \$0 for the period from inception (July 26, 2016) through November 30, 2016.

**7. INTANGIBLE ASSETS**

Intangible assets consisted of the following:

		<b>November 30, 2017</b>		<b>February 28, 2017</b>	
Intangible assets	\$	61,901	\$	—	
Less accumulated amortization		(2,050)		—	
	\$	59,851	\$	—	

On October 2, 2017, the Company acquired goods and other intangibles through an asset purchase agreement with WeSecure Robotics, Inc. (“WeSecure”) in exchange for \$125,000 payable in 5 monthly \$25,000 installments commencing in October 2017 and ending February 2018. The intangible asset primarily consisted of customer relationships and lists acquired as a part of the asset purchase agreement. The Company is treating this transaction as a business combination and still in the process of finalizing the related purchase price allocation.

Under the asset purchase agreement, the two principals of WeSecure were also hired on at will basis: one as a sales director for a salary of \$8,000 per month and the other as a consultant at \$1,000 per month. The salary has been committed to until September 1, 2019, regardless of employment within the Company. In addition, the two principals will receive collectively a commission of \$500/month for each SMP robot rented by an identified customer for one year, as long as the customer stays with the Company for two years and an additional year of commission if the two principals remain employed with the Company through September 1, 2020. They will also receive a commission of 5% of net revenues on sales to identified customers for non-SMP robots for 2 years. In addition, the Company agreed to issue 450,000 options to the two principals to purchase shares its common stock at an exercise price of \$0.05 per share that vest on October 2, 2021.

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

The Company acquired the following net assets and liabilities as a part of this transaction:

**Assets Acquired:**

Cash	\$	17,000
Robots, parts, and equipment		46,099
Intangible assets		61,901
Total assets acquired	\$	125,000

**Liabilities Assumed:**

Acquisition cost	\$	125,000
Total liabilities assumed	\$	125,000

Amortization expense was \$2,050 both for the three and nine months ended November 30, 2017, respectively, and \$0 for the period from inception (July 26, 2016) through November 30, 2016.

At November 30, 2017, the Company had made three payments totaling \$75,000, with a remaining balance due of \$50,000 that has been included on the balance sheet as balance due on acquisition to WeSecure.

**8. NOTE RECEIVABLE**

On March 13, 2017, the Company loaned \$40,000 to a third party. The note bore interest at 18% per annum and was payable on April 13, 2017. The note was not repaid by the due date. The note was subsequently amended to bear interest of 2% per month plus a \$10,000 fee. The note was payable on December 31, 2017 and is secured in senior rank on all assets of the borrower. The Company evaluated the note receivable to determine whether its lending activities create a variable interest entity that would require consolidation and determined that it does not create a variable interest entity.

**ON THE MOVE SYSTEMS CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****9. CONVERTIBLE NOTES PAYABLE**

Convertible notes payable consisted of the following:

<b>Issued</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>Conversion Rate per Share</b>	<b>Balance November 30, 2017</b>	<b>Balance February 28, 2017</b>
February 28, 2011	February 26, 2013 *	7%	\$0.015	\$ 32,600	\$ —
January 31, 2013	February 28, 2017 *	10%	\$0.010	119,091	—
May 31, 2013	November 30, 2016 *	10%	\$0.010	261,595	—
August 31, 2014	November 30, 2016 *	10%	\$0.002	355,652	—
November 30, 2014	November 30, 2016 *	10%	\$0.002	103,950	—
February 28, 2015	February 28, 2017 *	10%	\$0.001	63,357	—
May 31, 2015	August 31, 2017	10%	\$1.000	65,383	—
August 31, 2015	August 31, 2017	10%	\$0.300	91,629	—
November 30, 2015	November 30, 2018	10%	\$0.300	269,792	—
February 29, 2016	February 28, 2019	10%	60% discount(2)	95,245	—
May 31, 2016	May 31, 2019	10%	\$0.003	35,100	—
July 18, 2016	July 18, 2017	10%	\$0.003	3,500	—
December 31, 2016	December 31, 2020	8%	35% discount(2)	65,000	65,000
January 15, 2017	January 15, 2021	8%	35% discount(2)	50,000	50,000
January 15, 2017	January 15, 2021	8%	35% discount(2)	100,000	100,000
January 16, 2017	January 16, 2021	8%	35% discount(2)	150,000	150,000

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March 8, 2017	March 8, 2020	10%	40% discount(2)	100,000	—
March 9, 2017	March 9, 2021	8%	35% discount(2)	50,000	—
March 21, 2017	March 21, 2018	8%	40% discount(2)	30,000	—
April 4, 2017	December 4, 2017	10%	40% discount(2)	12,066	—
April 19, 2017	April 19, 2018	15%	50% discount(2)	96,250	—
April 20, 2017	January 30, 2018	8%	40% discount(1)	28,000	—
April 26, 2017	April 26, 2018	0%	\$0.001	67	—
May 1, 2017	May 1, 2021	8%	35% discount(2)	50,000	—
May 4, 2017	May 4, 2018	8%	40% discount(2)	150,000	—
May 15, 2017	May 15, 2018	0%	\$0.001	1,280	—
May 17, 2017	May 17, 2020	10%	40% discount(1)	85,000	—
June 7, 2017	June 7, 2018	8%	40% discount(2)	200,000	—
June 16, 2017	June 16, 2018	0%	\$0.001	750	—
July 8, 2017	July 8, 2018	8%	40% discount(2)	200,000	—
August 8, 2017	August 8, 2018	8%	40% discount(2)	125,000	—
July 28, 2017	July 28, 2018	15%	50% discount(2)	116,875	—
August 29, 2017	August 29, 2018	15%	50% discount(2)	247,500	—
September 1 ,2017	September 1 ,2018	0%	Lower of 50% discount/\$0.005 <sup>(2)</sup>	187,000	—
September 12 ,2017	September 12 ,2018	8%	40% discount(2)	128,000	—
September 25, 2017	September 25, 2018	15%	50% discount(2)	398,750	—
October 4, 2017	May 4, 2018	8%	40% discount(2)	150,000	—
October 16, 2017	October 16, 2018	15%	50% discount(2)	345,000	—
November 22, 2017	November 22, 2018	15%	50% discount(2)	500,250	—
				5,063,682	365,000
Less: current portion of convertible notes payable				(4,098,546)	—
Less: discount on noncurrent convertible notes payable				(832,373)	—
Noncurrent convertible notes payable, net of discount				\$ 132,763	\$ 365,000
Current portion of convertible notes payable				\$ 4,098,546	\$ —
Less: discount on current portion of convertible notes payable				(2,533,979)	—
Current portion of convertible notes payable, net of discount				\$ 1,564,567	\$ —

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

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\* The indicated notes were in default as of November 30, 2017 and bear default interest of between 18% and 25% per annum.

(1) The note is convertible beginning six months after the date of issuance.

(2) The notes are accounted for and evaluated under ASC 480 as discussed in Note 3.

During the three and nine months ended November 30, 2017, the Company incurred original issue discounts of \$229,500 and \$229,500, respectively and derivative discounts of \$1,468,475 and \$2,033,475, respectively. These amounts are included in discounts on convertible notes payable and are being amortized to interest expense over the life of the convertible notes payable. During the three and nine months ended November 30, 2017, the Company recognized interest expense related to the amortization of debt discount of \$691,607 and \$691,607, respectively.

During the three and nine months ended November 30, 2017, the Company repaid principal on convertible notes payable of \$50,000 and \$50,000, respectively.

All of the notes above are unsecured. As of November 30, 2017, the Company had total accrued interest payable of \$598,429, of which \$492,690 is classified as current and \$105,739 is classified as noncurrent.

***Convertible notes issued***

In September 2017, the Company settled the March 8, 2017 note and paid \$72,762, including the remaining \$50,000 of principal balance and \$1,929 in accrued interest, and a prepayment penalty of \$20,833. The Company incurred this penalty to avoid additional costs related to the conversion of this note. The Company recorded a gain on settlement of debt of \$84,507 related to the write-off of the associated derivative liability.

During the nine months ended November 30, 2017, a debt holder transferred debt of \$337,958 and accrued interest of \$147,713 to a third party who exchanged it for a new convertible note for \$300,000, maturing September 1, 2018 and bearing no interest. A gain on settlement of debt of \$1,090,521 was recorded that includes the amount of associated derivative liability that was written off.

**Conversions to common stock**

During the nine months ended November 30, 2017, holders of certain convertible notes payable elected to convert principal and accrued interest in the amounts shown below into shares of common stock. No gain or loss was recognized on conversions as they occurred within the terms of the agreement that provided for conversion.

<b>Conversion Date</b>	<b>Principal Converted</b>	<b>Interest Converted</b>	<b>Total Amount Converted</b>	<b>Shares Converted</b>
September 5, 2017	\$ 26,250	\$ —	\$ 26,250	5,250,000
September 18, 2017	27,250	—	27,250	5,450,000
September 27, 2017	29,000	—	29,000	5,800,000
October 16, 2017	30,500	—	30,500	6,100,000
October 16, 2017	10,000	—	10,000	416,667
	\$ 123,000	\$ —	\$ 123,000	23,016,667

During the nine months ended November 30, 2017, the Company cancelled 600,000 shares of common stock. The shares had been issued during the year ended February 28, 2017 for the conversion of principal of a convertible note payable of \$600. As a result of the shares being cancelled, \$600 was added back to the principal of the note.

**10. RELATED PARTY TRANSACTIONS**

For the nine months ended November 30, 2017, the Company received net advances of \$237,948 from its loan payable to a related party. At November 30, 2017, the balance due to the related party was \$334,477, and \$65,529 at February 28, 2017.

During the nine months ended November 30, 2017, the Company paid \$172,501 in consulting fees for research and development to a company owned by a principal shareholder.

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**11. OTHER DEBT – VEHICLE LOANS**

In December 2016, RAD entered into a vehicle loan for \$47,704 secured by the vehicle. The loan is repayable over 5 years maturing November 9, 2021 and repayable \$1,019 per month including interest and principal. In November 2017, the Company entered into another vehicle loan secured by the vehicle for \$47,704. The loan is repayable over 5 years, maturing October 24, 2022 and repayable at \$923 per month including interest and principal. The principal repayments were \$6,591 for the nine months ended November 30, 2017. The balances of the amounts owed on the vehicle loan were \$87,104 and \$46,034 as of November 30, 2017 and February 28, 2017, respectively, of which \$17,776 and \$7,900 were classified as current and \$69,328 and \$38,134 as long-term, respectively.

**12. DERIVATIVE LIABILITES**

As of November 30, 2017, the Company revalued the fair value of all of the Company’s derivative liabilities associated with the conversion features on the convertible notes payable and determined that it had total derivative liabilities of \$19,768,186.

The Company estimated the fair value of the derivative liabilities using the Monte-Carlo model using the following key assumptions during the year ended November 30, 2017:

Strike price	\$1.00 - \$0.001
Fair value of Company common stock	\$0.17
Dividend yield	0.00%
Expected volatility	85% - 65%
Risk free interest rate	1.01% - 1.57%
Expected term (years)	0.26 - 4.00

During the three and nine months ended November 30, 2017, the Company released \$685,130 and \$685,130, respectively, of the Company’s derivative liability to equity due to the conversions of principal and interest on the associated notes.



The changes in the derivative liabilities (Level 3 financial instruments) measured at fair value on a recurring basis for the nine months ended November 30, 2017 were as follows:

Addition of derivative liability pursuant to reverse recapitalization	\$ 9,035,437
Release of derivative liability on conversion of convertible notes payable recorded to equity	(685,130)
Debt discount due to derivative liabilities	2,033,475
Derivative liability in excess of face value of debt recorded to interest expense	6,524,664
Reduction in derivative liability due to debt settlement	(635,922)
Change in fair value of derivative liabilities	3,495,662
Balance as of November 30, 2017	\$ 19,768,186

### 13. SHAREHOLDERS' EQUITY (DEFICIT)

#### *Summary of Common Stock Activity*

During the nine months ended November 30, 2017 and prior to the Acquisition, OMVS issued the following shares of common stock:

Issued 76,008,764 shares of its common stock totaling \$76,009 in connection with debt converted during the period;

Cancelled 600,000 shares of its common stock totaling \$600; and

Issued 8,922,279 shares of its common stock totaling \$8,922 in connection with warrants exercised during the period.

Following the acquisition through November 30, 2017, the Company issued 23,016,667 shares of its common stock for the conversion of \$123,000 of outstanding convertible debt.

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

*Summary of Preferred Stock Activity*

During the nine months ended November 30, 2017, OMVS issued 1,000,000 and 1,000 shares of its Series E and Series F preferred stock, respectively, totaling \$1,000 and \$1,000, respectively, in connection with the recapitalization of OMVS by RAD.

*Summary of Stock Option Activity*

As part of the asset purchase agreement described in Note 7, the Company issued 450,000 options to purchase shares at an exercise price of \$0.05 per share that vest on October 2, 2021.

The options have a fair value of \$27,643, based on the Black-Scholes Option Pricing model with the following assumptions:

Strike price	\$0.05
Fair value of Company's common stock	\$0.06
Dividend yield	0.00%
Expected volatility	303.81%
Risk free interest rate	1.94%
Expected term (years)	4.00

The Company will amortize the \$27,643 over the four year term on a straight line basis as stock based compensation. At November 30, 2017, the unamortized expense was \$27,643 and the intrinsic value was \$1,800.

**14. COMMITMENTS AND CONTINGENCIES**

### ***Litigation***

Occasionally, the Company may be involved in claims and legal proceedings arising from the ordinary course of its business. The Company records a provision for a liability when it believes that is both probable that a liability has been incurred, and the amount can be reasonably estimated. If these estimates and assumptions change or prove to be incorrect, it could have a material impact on the Company's condensed consolidated financial statements.

Contingencies are inherently unpredictable, and the assessments of the value can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions.

In February 2016, the Company received notice that it had been sued in the Clark County District Court of Nevada. The plaintiff alleges that the Company obtained certain trade secrets through a third party also named in the suit. The Company believes the suit is without merit and intends to vigorously defend it. The Company has not accrued any liability for this lawsuit as the Company believes that the likelihood of an unfavorable outcome is remote.

### ***Down Payment on Purchase***

The Company paid fifty percent deposits totaling \$38,890 on revenue earning and demo robot purchases and has committed to pay the remaining fifty percent balance due, totaling \$38,890, on these purchases of robots to a supplier in the next year.

### ***Operating Lease***

The Company's principal facility is located in Orange County, California. The lease agreement includes, escalating lease payments, renewal provisions and other provisions. The lease began in April 2017 and expires in March 2022. Rent expense is recorded over the lease terms on a straight-line basis. The security deposit of \$25,747 is recorded as a long-term asset as of August 31, 2017.

The Company also leases premises in northern California. The lease began in August 2017 and expires in August 2020. The security deposit of \$5,126 was paid on September 1, 2017. The Company shares premises with a supplier who is the co-lessee. Through agreement with the supplier, the Company will pay 75% of the lease costs and the supplier will pay 25%.

The supplier agreed to pay the security deposit and the first month's rent.



**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

The Company's leases are accounted for as operating leases. Rent expense is recorded over the lease terms on a straight-line basis. Rent expense was \$58,056 for the nine months ended November 30, 2017. Rent expense was \$31,834 for the three months ended November 30, 2017.

At November 30, 2017, the Company's future minimum payments are as follows:

November 30, 2018	\$	103,269
November 30, 2019		99,062
November 30, 2020		90,322
November 30, 2021		55,723
November 30, 2022 and thereafter		76,714
	\$	425,090

**15. SUBSEQUENT EVENTS**

On December 28, 2017, the Company issued a convertible redeemable note to Lucas Hoppel with an aggregate principal amount of \$55,000, due on August 28, 2018 for cash proceeds of \$50,000 and an original issue discount of \$5,000. The promissory note is convertible into units of the Company comprised of one share of common stock at 40% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 10% per annum interest rate commencing on December 28, 2017.

On December 29, 2017, the Company issued a convertible redeemable note to 6100864 Canada Inc. with an aggregate principal amount of \$330,000, due on December 29, 2018 for cash proceeds of \$330,000. The promissory note is convertible into units of the Company comprised of one share of common stock and one warrant to purchase a share of common stock with a three-year maturity and a conversion price equal to 50% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 15% per annum interest rate commencing on December 29, 2017.

On December 29, 2017, the Company issued a convertible redeemable note to 6100864 Canada Inc. with an aggregate principal amount of \$330,000, due on December 29, 2018. To date this note is unfunded by the lender. In the event the

previous note with the same terms is converted within six months of issuance, this note becomes null and void. There is no obligation under this note until the funds are received. The promissory note is convertible into units of the Company comprised of one share of common stock and one warrant to purchase a share of common stock with a three-year maturity and a conversion price equal to 50% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 15% per annum interest rate commencing on December 29, 2017.

On January 5, 2018, the Company issued an additional convertible promissory note to Crown Bridge Partners, LLC ("Crown Bridge") with an aggregate principal amount of \$250,000, due on January 5, 2019 for cash proceeds of \$225,000 payable in tranches, with an original issue discount of \$25,000. Each tranche matures one year after disbursement. The promissory note is convertible into common shares of the Company and a conversion price equal to 60% of the lowest trading price of the Company's common stock for the last 25 trading days prior to conversion, and has a 10% per annum interest rate commencing on January 5, 2018. On March 14, 2018, this note was amended to include the issuance of warrants to purchase 333,333 shares of the Company's common stock with an exercise price of \$0.15 with a 3-year maturity, and to change the date of the note to March 14, 2018, coinciding with the payment of the first tranche of \$50,000 including cash proceeds of \$43,000, fees of \$2,000 and an original issue discount of \$5,000.

On January 17, 2018, the Company issued a convertible redeemable note to Morningview with an aggregate principal amount of \$83,500, due on January 17, 2019 for cash proceeds of \$71,000, fees of \$4,000 and an original issue discount of \$7,500. The promissory note is convertible into units of the Company comprised of one share of common stock at 40% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has an 8% per annum interest rate commencing on January 17, 2018.

**ON THE MOVE SYSTEMS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

On January 30, 2018, the Company issued a convertible redeemable note to 6100864 Canada Inc. with an aggregate principal amount of \$300,000, due on January 30, 2019 for cash proceeds of \$300,000. The promissory note is convertible into units of the Company comprised of one share of common stock and one warrant to purchase a share of common stock with a three-year maturity and a conversion price equal to 50% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 15% per annum interest rate commencing on January 30, 2018.

On January 30, 2018, the Company issued a convertible redeemable note to 6100864 Canada Inc. with an aggregate principal amount of \$300,000, due on January 30, 2018. To date this note is unfunded by the lender. In the event the previous note with the same terms is converted within six months of issuance, this note becomes null and void. There is no obligation under this note until the funds are received. The promissory note is convertible into units of the Company comprised of one share of common stock and one warrant to purchase a share of common stock with a three-year maturity and a conversion price equal to 50% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 15% per annum interest rate commencing on January 30, 2018.

On February 21, 2018, the Company issued a convertible redeemable note to 6100864 Canada Inc. with an aggregate principal amount of \$300,000, due on February 21, 2019 for cash proceeds of \$300,000. The promissory note is convertible into units of the Company comprised of one share of common stock and one warrant to purchase a share of common stock with a three-year maturity and a conversion price equal to 50% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 15% per annum interest rate commencing on February 21, 2018.

On February 21, 2018, the Company issued a convertible redeemable note to 6100864 Canada Inc. with an aggregate principal amount of \$300,000, due on February 21, 2018. To date this note is unfunded by the lender. In the event the previous note with the same terms is converted within six months of issuance, this note becomes null and void. There is no obligation under this note until the funds are received. The promissory note is convertible into units of the Company comprised of one share of common stock and one warrant to purchase a share of common stock with a three-year maturity and a conversion price equal to 50% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 15% per annum interest rate commencing on February 21, 2018.

On March 1, 2018, the Company issued a convertible redeemable note to 6100864 Canada Inc. with an aggregate principal amount of \$95,000, due on March 1, 2019 for cash proceeds of \$95,000. The promissory note is convertible into units of the Company comprised of one share of common stock and one warrant to purchase a share of common

stock with a three-year maturity and a conversion price equal to 50% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 15% per annum interest rate commencing on March 1, 2018.

On March 14, 2018, the Company issued a convertible redeemable note to Crown Bridge with an aggregate principal amount of \$50,000, due on March 14, 2019 for cash proceeds of \$43,000, fees of \$2,000 and an original issue discount of \$5,000. The promissory note is convertible into units of the Company comprised of one share of common stock at 40% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 10% per annum interest rate commencing on March 14, 2018.

In March 2018, \$120,000 was paid on the June 7, 2018 collateralized promissory note for \$200,000 from Eagle Equities maturing June 7, 2018, bearing interest at 8%.

On April 9, 2018, the Company issued a convertible redeemable note to 6100864 Canada Inc. with an aggregate principal amount of \$55,000, due on April 9, 2019 for cash proceeds of \$55,000. The promissory note is convertible into units of the Company comprised of one share of common stock and one warrant to purchase a share of common stock with a three-year maturity and a conversion price equal to 50% of the lowest bid price of the Company's common stock for the last 40 trading days prior to conversion, and has a 15% per annum interest rate commencing on April 9, 2018.



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

### *Forward-Looking Statements*

The following discussion of our financial condition and results of operations for the three and nine months ended November 30, 2017 and the period from inception (July 26, 2016) through November 30, 2016 should be read in conjunction with our unaudited consolidated financial statements and the notes to those statements that are included elsewhere in this report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under Item 1A. Risk Factors appearing in our Annual Report on Form 10-K/A for the year ended February 28, 2017, as filed on June 19, 2017 with the SEC as well as Form 8-K as filed with the SEC on August 31, 2017. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions to identify forward-looking statements.

Unless expressly indicated or the context requires otherwise, the terms “OMVS”, the “Company”, “we”, “us”, and “our” refer to On the Move Systems Corp.

### *Overview*

On the Move Systems Corp. was incorporated in Florida on March 25, 2010 and reincorporated in Nevada on February 17, 2015.

Robotic Assistance Devices, LLC (“RAD”), was incorporated in the State of Nevada on July 26, 2016 as a LLC. On July 25, 2017, Robotic Assistance Devices LLC converted to a C Corporation, Robotic Assistance Devices, Inc. through the issuance of its 10,000 authorized common shares to its sole shareholder.

On August 28, 2017, OMVS completed the acquisition of RAD (the “Acquisition”), whereby OMVS acquired all the ownership and equity interest in RAD for 3,350,000 shares of OMVS Series E Preferred Stock and 2,450 shares of Series F Convertible Preferred Stock. OMVS’s prior business focus was transportation services, and OMVS was exploring the on-demand logistics market by developing a network of logistics partnerships. As a result of the closing of the Acquisition, OMVS has succeeded to the business of RAD, in which OMVS purchased all of the outstanding shares of capital stock of RAD. As a result, OMVS’s business going forward will consist of one segment activity which is the delivery of artificial intelligence and robotic solutions for operational, security and monitoring needs.

The Acquisition was treated as a reverse recapitalization effected by a share exchange for financial accounting and reporting purposes since substantially all of OMVS's operations were disposed of as part of the consummation of the transaction. Therefore, no goodwill or other intangible assets were recorded by OMVS as a result of the Acquisition. RAD is treated as the accounting acquirer as its stockholders control the Company after the Acquisition, even though OMVS was the legal acquirer. As a result, the assets and liabilities and the historical operations that are reflected in these financial statements are those of RAD as if RAD had always been the reporting company.

***Results of Operations for the Three Months Ended November 30, 2017 and the Three Months Ended November 30, 2016***

The following table shows our results of operations for the three months ended November 30, 2017 and the three months ended November 30, 2016. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Period		Change	
	Three Months Ended November 30, 2017	Three Months Ended November 30, 2016	Dollars	Percentage
Revenues	\$ 63,632	\$ —	\$ 63,632	—
Gross profit	18,632	—	18,632	—
Operating expenses	1,145,803	63,064	1,082,739	1,717%
Loss from operations	(1,127,171)	(63,064)	(1,064,107)	1,687%
Other income (expense)	(7,669,750)	—	(7,669,750)	—
Net loss	\$ (8,796,921)	\$ (63,064)	\$ (8,733,857)	13,849%

### *Revenue*

Total revenue for the three-month period ended November 30, 2017 was \$63,632, which represented an increase of \$63,632, compared to total revenue of \$0 for the three months ended November 30, 2016. The increase resulted from commencing the leasing of revenue earning robots.

### *Gross profit*

Total gross profit for the three-month period ended November 30, 2017 was \$18,632, which represented an increase of \$18,632, compared to total revenue of \$0 for the three months ended November 30, 2016. The increase resulted from the sale of a robot for \$45,000 that was acquired in the acquisition of WeSecure's assets, costing \$45,000.

### *Operating Expenses*

Our operating expenses were comprised of general and administrative expenses, research and development, depreciation and a loss on impairment of revenue earning robots. General and administrative expenses consisted primarily of professional services, automobile expenses, advertising, salaries and wages, travel expenses and rent. Our operating expenses during the three-month period ended November 30, 2017 and the three-month period ended November 30, 2016 was \$1,145,894 and \$63,064, respectively. The overall \$1,082,739 increase in operating expenses was primarily attributable to the following increases in operating expenses of:

General and administrative expenses – \$839,770

Research and development – \$169,552

Depreciation and amortization – \$41,095

Loss on impairment of fixed assets – \$32,322

These increases in expenses are a result of the start of RAD's operations in 2017.

*Other Income (Expense)*

Other income (expense) consisted of the change of fair value of derivative instruments, gain on settlement of debt, and interest expense, amortization of debt issuance costs and discounts. Other income (expense) during the three months ended November 30, 2017 and the three months ended November 30, 2016 was (\$7,669,750) and \$0, respectively. The \$7,669,750 increase in other expense was primarily attributable to the interest expense and amortization of debt issuance costs and discounts, partially offset by a change in the fair value of derivatives and the gain on settlement of debt.

*Net Loss*

We had a net loss of \$8,796,921 for the three months ended November 30, 2017, compared to net loss of \$63,064 for the three months ended November 30, 2016.

**Results of Operations for the Nine Months Ended November 30, 2017 and the Period from Inception (July 26, 2016) through November 30, 2016**

The following table shows our results of operations for the nine months ended November 30, 2017 and the period from inception (July 26, 2016) through November 30, 2016. The historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Period		Change	
	Nine Months Ended November 30, 2017	Period from Inception (July 26, 2016) through November 30, 2016	Dollars	Percentage
Revenues	\$ 98,632	\$ —	98,632	—
Gross profit	53,632	—	53,632	—
Operating expenses	2,092,062	65,304	2,026,758	3,104%
Loss from operations	(2,038,430)	(65,304)	(1,973,126)	3,021%
Other income (expense)	(9,767,304)	—	(9,767,304)	—
Net loss	\$ (11,805,734)	\$ (65,304)	\$ (11,740,430)	17,978%

*Revenue*

Total revenue for the nine-month period ended November 30, 2017 was \$98,632, which represented an increase of \$98,632, compared to total revenue of \$0 for the period from inception (July 26, 2016) through November 30, 2016. The increase resulted from commencing the leasing of revenue earning robots and the sale of a robot.

*Gross profit*

Total gross profit for the nine-month period ended November 30, 2017 was \$53,632, which represented an increase of \$53,632, compared to total revenue of \$0 for the period from inception (July 26, 2016) through November 30, 2016. The increase resulted from the sale of a robot for \$45,000 that was acquired in the acquisition of Wesecure's assets, costing \$45,000.

*Operating Expenses*

Our operating expenses were comprised of general and administrative expenses, research and development, depreciation and a loss on impairment of revenue earning robots. General and administrative expenses consisted primarily of professional services, automobile expenses, advertising, salaries and wages, travel expenses and rent. Our operating expenses during the nine-month period ended November 30, 2017 and the period from inception (July 26, 2016) through November 30, 2016 was \$2,092,062 and \$65,304, respectively. The overall \$2,026,758 increase in operating expenses was primarily attributable to the following increases in operating expenses of:

General and administrative expenses – \$1,567,520

Research and development – \$259,185

Depreciation and amortization – \$74,789

Loss on impairment of fixed assets – \$125,264

The \$2,026,758 increase in operating expenses are a result of the start of RAD's operations in 2017.

*Other Income (Expense)*

Other income (expense) consisted of the change of fair value of derivative instruments, gain on settlement of debt, and interest expense, amortization of debt issuance costs and discounts. Other income (expense) during the nine months ended November 30, 2017 and the period from inception (July 26, 2016) through November 30, 2016 was (\$9,767,304) and \$0, respectively. The \$9,767,304 increase in other expense was primarily attributable to the interest expense and amortization of debt issuance costs and discounts, partially offset by a change in the fair value of derivatives and the gain on settlement of debt.

*Net Loss*

We had a net loss of \$11,805,734 for the nine months ended November 30, 2017, compared to net loss of \$65,304 for the period from inception (July 26, 2016) through November 30, 2016.

**Liquidity, Capital Resources and Cash Flows**

*Going Concern*

Management believes that we will continue to incur losses for the immediate future. Therefore, we will need additional equity or debt financing until we can achieve profitability and positive cash flows from operating activities, if ever. These conditions raise substantial doubt about our ability to continue as a going concern. Our unaudited condensed consolidated financial statements do not include adjustments relating to the recovery of assets or the classification of liabilities that may be necessary should we be unable to continue as a going concern. For the three and nine months ended November 30, 2017, we have generated revenue and are trying to achieve positive cash flows from operations.

As of November 30, 2017, we had a cash balance of \$47,320, accounts receivable of \$28,000 and \$22,423,465 in current liabilities. At the current cash consumption rate, we may need to consider additional funding sources going forward. We are taking proactive measures to reduce operating expenses and drive growth in revenue.

The successful outcome of future activities cannot be determined at this time and there is no assurance that, if achieved, we will have sufficient funds to execute our intended business plan or generate positive operating results.

*Capital Resources*

The following table summarizes total current assets, liabilities and working capital (deficit) for the periods indicated:

	<b>November 30, 2017</b>		<b>February 28, 2017</b>		<b>Change</b>
Current assets	\$	308,179	\$	214,685	\$ 93,494
Current liabilities		22,423,465(1)		103,149	22,320,316
Working capital	\$	(22,115,286)	\$	111,536	\$ (22,226,822)

(1) As of November 30, 2017, current liabilities included approximately \$19.8 million of derivative liabilities that are expected to be settled in shares of the Company in accordance with the various conversion terms.

As of November 30, 2017, and February 28, 2017, we had a cash balance of \$47,320 and \$56,907, respectively.

*Summary of Cash Flows.*

	<b>Nine Months Ended November 30, 2017</b>		<b>Period from Inception (July 26, 2016) through November 30, 2016</b>
Net cash used in operating activities	\$	(2,231,778)	\$ (65,304)
Net cash used in investing activities	\$	(251,827)	\$ —
Net cash provided by financing activities	\$	2,474,018	\$ 71,990



***Net cash used in operating activities.***

Net cash used in operating activities for the nine months ended November 30, 2017 was \$2,231,778 which included net losses of \$11,805,734, gain on settlement of debt of \$1,175,028 and a change in operating assets of \$163,002. These losses are offset by non-cash items including a change in fair value of derivative financial instruments of \$3,495,662, interest expense related to derivative liability on excess of face value of debt change of \$6,524,664, amortization of debt discounts of \$691,607, a loss on impairment of fixed assets of \$125,264 and depreciation and amortization of \$74,789 and working capital components to derive the uses of cash in operations.

***Net cash used in investing activities.***

Net cash used in investing activities for the nine months ended November 30, 2017 was \$251,827. This consisted primarily of the purchase of fixed assets of \$245,102.

***Net cash provided by financing activities.***

Net cash provided by financing activities was \$2,474,018 for the nine months ended November 30, 2017. This consisted of proceeds from convertible notes payable of \$1,492,500. Net borrowings from loan payable-related party of \$237,948, and the intercompany loan proceeds from OMVS to RAD prior to the reverse recapitalization of \$752,200, offset by payments of vehicle loans of \$6,591 and convertible debt of \$50,000.

***Off-Balance Sheet Arrangements***

None.

***Critical Accounting Policies and Estimates***

Critical accounting policies and estimates are further discussed in our Annual Report on Form 10-K/A for the year ended February 28, 2017 filed with the SEC on June 19, 2017 and should be read in conjunction with the Original filing on Form 10-K filed with the SEC on June 16, 2017 and the February 28, 2017 Form 10-KT filed on March 12, 2018.

***Related Party Transactions***

For the nine months ended November 30, 2017, the Company had a net advances from its loan payable due related party of \$237,948. At November 30, 2017, the balance on loan payable related party was \$334,477, and \$65,529 at February 28, 2017.

During the nine months ended November 30, 2017, the Company paid \$172,501 in consulting fees for research and development to a company owned by a principal shareholder.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable for a smaller reporting company.

**ITEM 4. CONTROLS AND PROCEDURES**

**Management's Report on Internal Control over Financial Reporting**

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of August 31, 2017. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of August 31, 2017, our disclosure controls and procedures were not effective to ensure that information required to be disclosed in reports filed by us under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

1. As of November 30, 2017, we did not maintain effective controls over the control environment. Specifically, we have not developed and effectively communicated to our employees our accounting policies and procedures. This has resulted in inconsistent practices. Further, the Board of Directors does not currently have any independent members and no director qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. Since these entity level programs have a pervasive effect across the organization, management has determined that these circumstances constitute a material weakness.
2. As of November 30, 2017, we did not maintain effective controls over financial statement disclosure. Specifically, controls were not designed and in place to ensure that all disclosures required were originally addressed in our financial statements. Accordingly, management has determined that this control deficiency constitutes a material weakness.

Our management, including our principal executive officer and principal financial officer, who is the same person, does not expect that our disclosure controls and procedures or our internal controls will prevent all error or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

### **Change in Internal Controls Over Financial Reporting**

There was no change in our internal controls over financial reporting that occurred during the period covered by this report, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II — OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

On October 12, 2015, we received notice that the Company had been sued in the United States District Court for the Central District of California. The plaintiff alleges that we obtained certain trade secrets through a third party also named in the suit. The case was dismissed in December 2015 for lack of jurisdiction.

In February 2016, we received notice that the Company had been sued in the Clark County District Court of Nevada. The plaintiff alleges that we obtained certain trade secrets through a third party also named in the suit. We believe the

suit is without merit and intend to vigorously defend it. An Arbitration was conducted on May 9, 2017, Plaintiff filed a Notice of trial de Novo, seeking a review of the merit dismissal. It is counsel's opinion this Trial de Novo is without merit and the Company should prevail.

#### **ITEM 1A. RISK FACTORS**

This item is not applicable to smaller reporting companies.

#### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Each issuance of securities was issued without registration in reliance of the exemption from registration Section 3(a)9 of the Securities Act of 1933.

#### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

The Company has not defaulted upon senior securities.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable to the Company.

#### **ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

- 3.1 Articles of Incorporation (1)
- 3.2 Bylaws (2)
- 14 Code of Ethics (2)
- 21 Subsidiaries of the Registrant (3)
- 31.1 Rule 13(a)-14(a)/15(d)-14(a) Certification of principal executive officer and principal financial and accounting officer. (3)
- 32.1 Section 1350 Certification of principal executive officer and principal financial accounting officer. (3)
- 101 XBRL data files of Financial Statement and Notes contained in this Quarterly Report on Form 10-Q. (4)

- 
- (1) Incorporated by reference to our Form 10-KT file with the Securities and Exchange Commission on March 12, 2018.
- (2) Incorporated by reference to our Form S-1 filed with the Securities and Exchange Commission on August 4, 2010.
- (3) Filed or furnished herewith.
- (4) To be submitted by amendment.

**SIGNATURES**

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

On the Move Systems Corp.

Date: April 16, 2018

BY: /s/ Garrett Parsons  
Garrett Parsons  
President, Chief Executive Officer, Chief Financial  
Officer,  
Principal Accounting Officer, Treasurer and Director

