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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2017

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: 333-150332

DRONE AVIATION HOLDING CORP.
(Exact name of registrant as specified in its charter)

Nevada	**46-5538504**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11651 Central Parkway #118, Jacksonville, FL 32224
(Address of principal executive offices) (zip code)

(904) 834-4400
(Registrant's telephone number, including area code)

Not applicable.
(Former name, former address and former fiscal year, if changed since last report)

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 ☒

Note: The registrant is a voluntary filer, but has filed all reports it would have been required to file by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months if it was subject to the filing requirements thereof.

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, 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	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	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 7(a)(2)(B) of the Securities Act and 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 ☒

As of November 13, 2017, there were 9,182,470 shares of registrant's common stock outstanding.

DRONE AVIATION HOLDING CORP.

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DRONE AVIATION HOLDING CORP.
CONSOLIDATED BALANCE SHEETS

	9/30/2017 (Unaudited)	12/31/2016
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,764,389	$ 2,015,214
Accounts receivable - trade	100,749	394,000
Inventory, net	735,161	459,885
Prepaid expenses and deposits	71,274	120,614
Total current assets	2,671,573	2,989,713
PROPERTY AND EQUIPMENT, at cost:	180,302	179,627
Less - accumulated depreciation	(87,134)	(60,784)
Net property and equipment	93,168	118,843
OTHER ASSETS:		
Goodwill	99,799	99,799
Intangible assets, net	1,070,667	1,289,667
Total other assets	1,170,466	1,389,466
TOTAL ASSETS	$ 3,935,207	$ 4,498,022
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable - trade and accrued liabilities	$ 149,922	$ 293,922
Accounts payable due to related party	188,217	46,849
Bank Line of Credit	1,000,000	-
Related party convertible note payable, net of discount of $0 and $2,092,156, respectively	1,000,000	907,844
Derivative liability	-	1,832,013
Total current liabilities	2,338,139	3,080,628
LONG TERM LIABILITIES:		
Related party convertible notes payable	3,000,000	-
TOTAL LIABILITIES	$ 5,338,139	$ 3,080,628
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY (DEFICIT):		
Convertible Preferred stock, Series A, $.0001 par value; authorized 595,000 shares; 0 and 100,100 shares issued and outstanding, at September 30, 2017 and December 31, 2016, respectively	$ -	$ 10
Convertible Preferred stock, Series B, $.0001 par value; authorized 324,671 shares; 0 shares issued and outstanding, at September 30, 2017 and December 31, 2016, respectively		
Convertible Preferred stock, Series B-1, $.0001 par value; authorized 156,231 shares; 0 shares issued and outstanding, at September 30, 2017 and December 31, 2016, respectively		
Convertible Preferred stock, Series C, $.0001 par value; authorized 355,000 shares; 0 shares issued and outstanding, at September 30, 2017 and December 31, 2016, respectively		
Convertible Preferred stock, Series D, $.0001 par value; authorized 36,050,000 shares; 0 shares issued and outstanding, at September 30, 2017 and December 31, 2016, respectively		
Convertible Preferred stock, Series E, $.0001 par value; authorized 5,400,000 shares; 0 shares issued and outstanding, at September 30, 2017 and December 31, 2016, respectively		
Convertible Preferred stock, Series F, $.0001 par value; authorized 3,300,999 shares; 0 shares issued and outstanding, at September 30, 2017 and December 31, 2016, respectively		
Convertible Preferred stock, Series G, $.0001 par value; authorized 8,000,000 shares; 0 shares issued and outstanding, at September 30, 2017 and December 31, 2016, respectively		
Common stock, $.0001 par value; authorized 300,000,000 shares; 9,182,470 and 8,682,220 shares issued and outstanding, at September 30, 2017 and December 31, 2016	918	868
Additional paid-in capital	25,918,859	21,089,301
Retained Deficit	(27,322,709)	(19,672,785)
Total stockholders' equity (deficit)	(1,402,932)	1,417,394
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 3,935,207	$ 4,498,022

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

DRONE AVIATION HOLDING CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenues	$ 93,105	$ 146,208	$ 474,634	$ 1,073,672
Cost of goods sold	33,594	64,651	283,590	374,112
Gross profit	59,511	81,557	191,044	699,560
General and administrative expense	4,544,499	3,887,052	7,432,226	7,896,130
Loss from operations	(4,484,988)	(3,805,495)	(7,241,182)	(7,196,570)
Other income (expense)				
Derivative Gain	779,787	24	1,831,635	24
Interest expense	(376,636)	(2,869)	(1,558,389)	(3,149)
Gain on settlement of make whole provision	-	-	-	11,000
Loss on debt extinguishment	(681,988)	-	(681,988)	-
Debt Forgiveness	-	75,000	-	75,000
Total other income (expense)	(278,837)	72,155	(408,742)	82,875
NET LOSS	(4,763,825)	(3,733,340)	(7,649,924)	(7,113,695)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	(4,763,825)	(3,733,340)	(7,649,924)	(7,113,695)
Weighted average number of common shares outstanding - basic and diluted	9,087,361	6,977,777	8,880,168	6,285,681
Basic and diluted net loss per share	$ (0.52)	$ (0.54)	$ (0.86)	$ (1.13)

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

DRONE AVIATION HOLDING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	For the Nine Months Ended	
	9/30/2017	**9/30/2016**
OPERATING ACTIVITIES:		
Net loss	$ (7,649,924)	$ (7,113,695)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization expense of debt discount	1,409,790	2,822
Gain on derivative liability	(1,831,635)	(24)
Depreciation expense	26,350	25,132
Amortization expense of intangible assets	219,000	97,333
Gain on settlement of make whole provision	-	(11,000)
Loss on debt extinguishment	681,988	-
Gain on settlement of debt	-	(75,000)
Stock based compensation	4,829,598	4,866,324
Recovery of inventory allowance	-	(15,383)
Changes in current assets and liabilities:		
Accounts receivable	293,251	81,078
Inventory	(275,276)	(220,186)
Prepaid expenses and other current assets	49,340	(35,660)
Accounts payable and accrued expense	(144,000)	420,990
Due from related party	141,368	(7,896)
Deferred revenue	-	(6,000)
Net cash used in operating activities	(2,250,150)	(1,991,165)
INVESTING ACTIVITIES:		
Cash paid on furniture and equipment	(675)	(14,099)
Net cash used in investing activities	(675)	(14,099)
FINANCING ACTIVITIES:		
Proceeds from related party convertible note payable	1,000,000	-
Proceeds from bank line of credit	1,000,000	-
Cash repayment on OTCC loan	-	(35,000)
Proceeds from convertible Note Payable Series 2016	-	3,000,000
Net cash provided by financing activities	2,000,000	2,965,000
NET INCREASE (DECREASE) IN CASH	(250,825)	959,736
CASH, beginning of period	2,015,214	2,659,734
CASH, end of period	$ 1,764,389	$ 3,619,470
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the nine months ended September 30:		
Interest	$ 5,875	$ 3,149
Noncash investing and financing activities for the nine months ended September 30:		
Common Stock issued for Adaptive Flight asset purchase make whole provision	$ -	$ 150,500
Conversion of Series A preferred stock to common stock	$ 25	$ -
Conversion of Series C preferred stock to common stock	$ -	$ 18
Conversion of Series D preferred stock to common stock	$ -	$ 5
Conversion of Series F preferred stock to common stock	$ -	$ 5
Conversion of Series G preferred stock to common stock	$ -	$ 5
Derivative liability on reset provision of Convertible Notes Payable Series 2016	$ -	$ 2,394,974
Stock Issued for November 2015 PIPE Investors as consent shares	$ -	$ 50

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

For the Period Ended September 30, 2017

1. BASIS OF PRESENTATION

The following unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, such interim financial statements do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete annual financial statements. The information furnished reflects all adjustments, consisting only of normal recurring items which are, in the opinion of management, necessary in order to make the financial statements not misleading. The balance sheet as of December 31, 2016 has been derived from the Company's annual financial statements that were audited by an independent registered public accounting firm, but does not include all of the information and footnotes required for complete annual financial statements. The consolidated financial statements included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Uses and Sources of Liquidity

At September 30, 2017, the Company had cash of $1,764,389, working capital of $333,434, and an accumulated deficit of $27,322,709. Furthermore, the Company has a history of negative cash flow from operations, primarily due to heavy investment in research and development and costs associated with maintaining a public entity. In October 2016, the company issued $3,000,000 in Convertible Notes Payable with a maturity date of October 2017. As further discussed in Note 6 – Related Party Convertible Notes Payable and Derivative Liability, the Company does not currently have the liquid resources to repay the notes. On August 3, 2017, the maturity date of the notes were extended to April 1, 2019 and reclassified as long-term liability as of the balance sheet date. On August 2, 2017, the Company closed on a bank line of credit in the principal amount of $2,000,000 that was guaranteed by the Company's Chairman and CEO and a private line of credit with a related party investor who is a significant shareholder in the amount of $2,000,000. The Company expects this financial backing has strengthened the balance sheet to support the level of sales necessary to maintain positive working capital and sufficient liquidity for operations.

The Company expects that it will need to raise substantial additional capital to accomplish its business plan over the next several years. In addition, the Company may wish to selectively pursue possible acquisitions of businesses, technologies, or products complementary to those of the Company in the future in order to expand its presence in the marketplace and achieve operating efficiencies. The Company expects to seek to obtain additional funding through a bank credit facility or private equity. There can be no assurance as to the availability or terms upon which such financing and capital might be available.

2. RELATED PARTY TRANSACTIONS

The Company accounts for related party transactions in accordance with ASC 850 ("Related Party Disclosures"). A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

As of September 30, 2017 and December 31, 2016, there was $188,217 and $46,849 accrued interest payable, respectively, to related parties on convertible notes payable.

3. INVENTORY

Inventories are stated at the lower of cost or market, using the first-in first-out method. Cost includes materials, labor and manufacturing overhead related to the purchase and production of inventories. We regularly review inventory quantities on hand, future purchase commitments with our supplies, and the estimated utility of our inventory. If the review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis through a charge to cost of goods sold. Allowance for slow moving items increased $6,366 due to a type of aerostat material which was custom ordered. Inventory consists of the following at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Raw Materials	$ 110,765	$ 48,014
Work in Progress	287,175	254,258
Finished Goods	346,793	160,819
Less valuation allowance	(9,572)	(3,206)
Total	$ 735,161	$ 459,885

4. PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost when acquired. Depreciation is provided principally on the straight-line method over the estimated useful lives of the related assets, which is 3-7 years for equipment, furniture and fixtures, hardware and software and leasehold improvements. During the nine months ended September 30, 2017, the Company invested $675 in shop machinery and equipment. Depreciation expense was $26,350 and $25,132 for the nine months ended September 30, 2017 and 2016, respectively. Property and equipment consists of the following at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
Shop machinery and equipment	$ 87,704	$ 87,029
Computers and electronics	35,270	35,270
Office furniture and fixtures	37,814	37,814
Leasehold improvements	19,514	19,514
	180,302	179,627
Less - accumulated depreciation	(87,134)	(60,784)
	$ 93,168	$ 118,843

5. INTANGIBLE ASSETS

On July 20, 2015, the Company, through its wholly-owned subsidiary Drone AFS Corp., purchased substantially all the assets of Adaptive Flight, Inc. ("AFI"), a Georgia corporation. The Company purchased assets, including, but not limited to, intellectual property, licenses and permits, including commercial software licenses for the "GUST" (Georgia Tech UAV Simulation Tool) autopilot system and other transferable licenses which include flight simulation and fault tolerant flight control algorithms. The Company paid $100,000 in immediately available funds and $100,000 to be held in escrow. In addition, the Company issued 150,000 shares of unregistered common stock valued at $8.40 per share, on a post-October 29, 2015 reverse stock split basis, on the date of agreement, to be held in escrow.

The Company had a milestone of twelve months to complete a technology integration plan, the non-completion of which could result in the return of the purchased assets and termination of the Company's obligations to release the escrow cash and shares. Additional milestones included exclusive, no-cost and perpetual licenses to all contributing intellectual property included or related to the purchased assets. As such time as all milestones were met, one-half of the escrow shares were to be released to AFI. Upon termination of the escrow agreement, anticipated to be twelve months from the closing of the asset purchase, if all milestones had been met, the remaining escrow shares would be released to AFI; but if all milestones have not been met, the escrow cash and escrow shares would be released to the Company and the purchased assets would be returned to AFI. According to the terms of the Escrow Agreement, if the escrow share value was less than $1,400,000, the Company must issue an additional number of unregistered shares, not to exceed 50,000 shares. At December 31, 2015, the value of the 150,000 shares was $3.23 per share, or $484,500. The Company recorded $161,500 as an additional liability and expense at December 31, 2015 for the cost of 50,000 shares at $3.23 per share. On June 3, 2016, the Integration Plan was deemed to be completed. At June 3, 2016, the value of the 150,000 shares was $3.01 per share, or $451,150. The additional liability was reduced to $150,500 for the cost of 50,000 shares at $3.01 per share. The Company recorded the $11,000 reduction in the additional liability through the statement of operations at June 3, 2016. The Company began amortizing the $1,460,000 of purchased assets over a sixty-month period on June 3, 2016 in the amount of $24,333 per month. Total amortization expense for the nine months ended September 30, 2017 was $219,000. The remaining unamortized balance of $1,070,667 is estimated be amortized in the estimated amounts of $292,000 per year for 2017 through 2020 and $121,667 in 2021.

The asset acquisition did not qualify as a business combination under ASC 805-10 and has been accounted for as a regular asset purchase.

6. RELATED PARTY CONVERTIBLE NOTES PAYABLE AND DERIVATIVE LIABILITY

On September 29, 2016, the Company issued Convertible Promissory Notes Series 2016 due October 1, 2017 in the aggregate principal amount of $3,000,000 in a private placement to the Chairman of the Board and the Chairman of the Strategic Advisory Board of the Company, both of whom are greater than 10% shareholders of the Company. The notes bear interest at a rate of six percent (6%) per annum. The Company may prepay the notes at any time without penalty. If the Company does not prepay a note in full or the holder does not convert the note before the maturity date, the Company may pay the outstanding principal amount and any accrued and unpaid interest on the maturity date with cash or with common stock or through a combination of cash and stock at the Company's discretion. The conversion price of the notes is the lesser of $3.00 per share or eight-five percent (85%) of the lowest per share purchase price of common stock in the next sale of common stock in which the Company receives gross proceeds of an amount greater than or equal to $3,000,000.

On August 3, 2017 (the "Effective Date"), the Company entered into amendments (the "Convertible Note Amendments") with the owners and holders of the following convertible promissory notes issued by the Company (the "Series 2016 Convertible Notes"):

- Convertible Promissory Note in the original principal amount of $1,500,000 issued by the Company on September 29, 2016 to Frost Gamma Investments Trust ("Frost Gamma"). Frost Gamma is a trust that is controlled by Dr. Phillip Frost, a substantial shareholder of the Company; and

- Convertible Promissory Note in the original principal amount of $1,500,000 issued by the Company on September 29, 2016 to Jay H. Nussbaum, the Company's Chief Executive Officer and Chairman of the Board of Directors.

The Convertible Note Amendments extend the maturity date for each of the Series 2016 Convertible Notes to April 1, 2019 (the "Maturity Date") and revise the conversion price to mean $1.00 per share subject to proportional adjustment in the event of stock splits, stock dividends and similar corporate events. Accordingly, the notes have been reclassified as long-term debt. Consistent with the original terms of the Series 2016 Convertible Notes, interest accrues at the rate of 6% interest per annum and is payable on the Maturity Date. The accrued interest is payable at the holders' option in cash or shares of our common stock valued at the $1.00 per share conversion price. The Convertible Note Amendments provide that an event of default in the City National Bank Loan will be treated as an event of default under the Series 2016 Convertible Notes.

The Company evaluated the modification under ASC 470-50 and determined that is qualified as an extinguishment of debt. The aggregate loss on extinguishment of debt in 2017 is $681,988, including ($378) on derivative liabilities, and $682,366 on unamortized debt discount. The embedded conversion feature of the notes pre-modification required liability classification.

The Company analyzed the conversion option in the notes for derivative accounting treatment under ASC Topic 815, "Derivatives and Hedging," and determined that the instrument does not qualify for derivative accounting.

The Company therefore performed an analysis to determine if the conversion option was subject to a beneficial conversion feature and determined that the instrument does not have a beneficial conversion feature.

The following table sets forth, by level within the fair value hierarchy, the Company's financial liabilities that were accounted for at fair value as of September 30, 2017 and December 31, 2016:

	Level 1	Level 2	Level 3	Total
LIABILITIES:				
Derivative liabilities as of September 30, 2017	$ 0	$ 0	$ 0	$ 0
Derivative liabilities as of December 31, 2016	$ 0	$ 0	$ 1,832,013	$ 1,832,013

The following table represents the change in the fair value of the derivative liabilities during the nine months ended September 30, 2017 and the year ended December 31, 2016:

Fair value of derivative liabilities as of December 31, 2015	$ 0
Fair value of derivative liability at September 30, 2016 recorded as debt discount	2,394,974
Change in fair value of derivative liabilities	(562,961)
Fair value of derivative liabilities as of December 31, 2016	$ 1,832,013
Change in fair value of derivative liabilities	(1,831,635)
Gain on extinguishment of debt	(378)
Fair value of derivative liabilities as of September 30, 2017	$ 0

7. REVOLVING LINE OF CREDIT

On August 2, 2017, the Company issued a promissory note to City National Bank of Florida ("CNB") in the principal amount of $2,000,000, the CNB Note. The note evidences a revolving line of credit with advances that may be requested by the Company until the maturity date of August 2, 2018 so long as no event of default exists under the note, the Company or Mr. Nussbaum does not cease doing business, Mr. Nussbaum does not seek to revoke or modify his guarantee of the Note, the Company does not misapply the proceeds of this loan or CNB in good faith does not believe itself insecure. The CNB Note bears interest at a variable rate equal to 0.250 percentage points over the Wall Street Journal Prime Rate payable monthly. The Company will pay to CNB a late charge of 5.0% of any monthly payment not received by Lender within 10 calendar days after its due date. The Company may prepay the note at any time without penalty. In the event of a default, the interest rate will increase to the highest lawful rate. The Company is obligated to maintain depository accounts with CNB with a minimum average annual balance of $600,000. In the event the Company does not maintain this account balance, CNB may charge the Company a fee equal to 2% of the deficiency as additional interest under the note. The CNB Note is personally guaranteed by Mr. Nussbaum, the Company's Chief Executive Officer pursuant to written guarantee in favor of CNB (the "CNB Guarantee"). Mr. Nussbaum and the Company are obligated to maintain an unencumbered liquidity of no less than $6,000,000 in the form of cash, repurchase agreements, certificates of deposit or marketable securities acceptable to CNB. In addition, to secure our obligations under the note, we entered into a security agreement in favor of CNB (the "Security Agreement") encumbering all of our accounts, inventory and equipment along with an assignment of a bank account we maintain at CNB with an approximate balance of $90,000. As of September 30, 2017, $1,000,000 has been drawn against the line of credit. Accrued interest of $5,231 has been recognized as of September 30, 2017.

Indemnification Agreement

On August 3, 2017, the Company entered into an Indemnification Agreement with Mr. Nussbaum in order to indemnify and defend him to the fullest extent permitted by law for any claim, expense or obligation which might arise as a result of his guarantee of the CNB Note.

8. SERIES 2017 SECURED CONVERTIBLE NOTE

On August 3, 2017, the Company issued a Secured Convertible Promissory Note Series 2017 due August 2, 2018 in the aggregate principal amount of $2,000,000 (the "Series 2017 Convertible Note") in a private placement to Frost Nevada Investments Trust ("Frost Nevada"). Frost Nevada is a trust that is controlled by Dr. Frost, a substantial shareholder of the Company. The note evidences a revolving line of credit with advances that may be requested by the Company until the maturity date of August 2, 2018 so long as no event of default exists under the loan. The Company may request advances of principal under this note equal to and at the same time as it requests advances, if any, pursuant to the CNB Note. The note bears interest at a variable rate equal to 0.250 percentage points over the Wall Street Journal Prime Rate. The Company may prepay the notes at any time without penalty. If the Company does not prepay the note in full or the holder does not convert the note before the maturity date, the Company may pay the outstanding principal amount and any accrued and unpaid interest on the maturity date with cash or with common stock or through a combination of cash and stock at Frost Nevada's discretion. The conversion price under the note is $1.00 per share subject to proportional adjustment in the event of stock splits, stock dividends and similar corporate events. The Series 2017 Convertible Note is secured by a security interest in all the Company's assets. This security interest is subordinate to the security interest of CNB discussed in Footnote #7 above. As of September 30, 2017, $1,000,000 has been drawn against the line of credit. Accrued interest of $7,231 has been recognized as of September 30, 2017.

The Company analyzed the conversion option in the notes for derivative accounting treatment under ASC Topic 815, "Derivatives and Hedging," and determined that the instrument does not qualify for derivative accounting.

The Company therefore performed an analysis to determine if the conversion option was subject to a beneficial conversion feature and determined that the instrument does not have a beneficial conversion feature.

9. SHAREHOLDERS' EQUITY

On August 3, 2017, the Company entered into an amendment to the August 24, 2014 Independent Contractor Agreements it entered into with Dr. Philip Frost and Steven Rubin who serve as members of the Company's Strategic Advisory Board (the "SAB Amendments"). The SAB Amendments extend the term of the agreements from May 1, 2017 until April 30, 2018 and provide for the following equity based compensation: (a) for Dr. Frost, a warrant to purchase 2,000,000 shares of the Company's Common Stock (the "Frost Warrant") and an award of 150,000 shares of the Company's unregistered restricted Common Stock and (b) for Mr. Rubin, an award of 100,000 shares of the Company's unregistered restricted Common Stock. The restricted stock vests upon the occurrence of a change of control (as defined in the SAB Amendments). The Warrant has a term of five years and exercise price of $1.00 per share subject to proportional adjustment in the event of stock splits, stock dividends and similar corporate events. The Company recognized $104,167 expense for the pro rata portion of shares earned by the two members during the nine months ended September 30, 2017, amortizing the expense over the 12 months of the service agreement regardless of the vesting condition.

In September 2016 , the Company issued 1,349,000 shares of restricted common stock outside of the 2015 Equity Plan to Jay Nussbaum, Felicia Hess, Daniyel Erdberg, Kendall Carpenter, Mike Silverman and Reginald Brown pursuant to Stock Award Agreements. The shares will vest upon consummation of a significant equity and/or debt financing of at least $5,000,000 provided that the holder remains engaged by the Company through the vesting date. The Company recognized $970,067 stock based compensation during the six months ended June 30, 2017 and $28,808 in stock based compensation during the nine months ended September 30, 2016. As of August 3, 2017, the Company does not believe the vesting conditions are probable of being achieved, and as such, no stock-based compensation expense is expected to be recognized in connection with the September 2016 shares. Consequently, previously recorded stock based compensation of $1,488,596 was reversed during the nine months ended September 30, 2017.

On August 3, 2017, these awards were modified so that the restrictions set forth in the RSA lapse upon the earlier of (i) consummation of a significant equity and/or debt financing from which the Company receives gross proceeds of at least $7,000,000 or (ii) a change in control (as defined in the RSA Amendment), provided that, in either case, the holder remains engaged by the Company through the date of such event. The Company does not believe the modified vesting conditions are probably of being achieved, and as such, no stock-based compensation expense has been recorded. The Company will reassess whether achievement of the vesting conditions is probable at each reporting date. If it is probable, stock-based compensation will be recognized.

In May 2016, the Company issued 150,000 shares of common stock with monthly vesting provisions to Strategic Advisory Board members, Dr. Philip Frost and Steven Rubin, for 12 months of services. The advisors can earn a pro rata portion of the shares, calculated based on the twelve-month vesting period, in the event the service agreements are terminated prior to the expiration date as described in the agreements. These shares vested during May 2017. The Company recognized a total of $29,500 and $211,890 expense for the pro rata portion of shares earned by the two members during the nine months ended September 30, 2017 and 2016, respectively.

In April 2016, the Company issued an aggregate of 1,150,000 shares of common stock outside of the 2015 Equity Plan to Jay Nussbaum, Felicia Hess, Daniyel Erdberg, Kendall Carpenter, and Kevin Hess pursuant to Stock Award Agreements. Stock based compensation of $3,346,615 was recognized during the nine months ended September 30, 2016 on the awards which fully vested on September 29, 2016. That same month, the Company issued 100,000 shares of stock to a director who subsequently resigned and forfeited the shares. The Company recognized a total of $60,495 stock compensation during the nine months ended September 30, 2016.

On September 4, 2015, the Company issued 450,000 shares of restricted common stock to four management employees and one director pursuant to stock award agreements. Stock based compensation of $604,440 was recognized during the nine months ended September 30, 2016.

On June 1, 2015, the Company issued 50,000 shares of restricted common stock with monthly vesting provisions to the Chairman of the Board for twenty-four months services pursuant to a Director Agreement. The Chairman can earn a pro rata portion of the shares, calculated on a twenty-four-month vesting period, in the event the Chairman relinquishes his position and Board seat prior to the expiration date of the Director Agreement. These shares vested on June 1, 2017. The Company recognized a total of $112,500 and $202,500 expense for the portion of such shares earned by the Chairman during the nine months ended September 30, 2017 and 2016, respectively.

On April 24, 2017, the holder of Series A preferred stock converted a total of 100,100 shares of Series A for an aggregate of 250,250 shares of restricted common stock in accordance with their conversion rights which includes a blocker with respect to individual ownership percentages.

10. PREFERRED STOCK

All the preferred stock of the Company is convertible into common shares. The Series A stock conversion ratio is 1 to 2.5 common shares. All preferred stock has voting rights equal to the number of shares it would have on an ‘as if converted’ basis subject to any ownership limitations governing such preferred shares. All preferred stock is entitled to dividends rights equal to the number of shares it would have on an ‘as if converted’ basis. None of the preferred stock is redeemable, participating nor callable.

The Company analyzed the embedded conversion option for derivative accounting consideration under ASC 815-15 “Derivatives and Hedging” and determined that the conversion option should be classified as equity.

On April 24, 2017, the holder of Series A preferred stock converted a total of 100,100 shares of Series A for an aggregate of 250,250 shares of restricted common stock in accordance with their conversion rights which includes a blocker with respect to individual ownership percentages.

11. EMPLOYEE STOCK OPTIONS

On August 3, 2017, upon approval of the Company's board of directors, the Company issued outside its 2015 Equity Plan, 5,210,000 options to purchase the Company's common stock to officers, directors and employees for services provided. Jay Nussbaum was issued 2,000,000 options, Felicia Hess was issued 1,200,000 options, Dan Erdberg was issued 1,140,000 options, Kendall Carpenter was issued 275,000 options, Directors David Aguilar, Mike Haas and General Wayne Jackson were issued 100,000 , 10,000 and 10,000 options, respectively. The remaining 475,000 options were issued to employees and consultants. These stock options immediately vested, are exercisable at an exercise price of $1.00 per share and expire on August 3, 2021. During the nine months ended September 30, 2017, $3,489,058 compensation expense was recognized on these 5,210,000 options.

One June 1, 2015, the Company issued an option award to an employee for 37,500 shares vesting over three years with an exercise price of $10.80 and expiration date of May 4, 2019. During the nine months ended September 30, 2017 and 2016, $46,353 and $101,141 compensation expense was recognized on these 37,500 options, respectively.

On January 9, 2017, the Company issued an option to purchase 100,000 shares of common stock with an exercise price of $2.90 per share to a director. The option vests 50,000 after one year from grant date and another 50,000 two years from grant date with an expiration date of four years from grant date provided that the Director is still providing service to the Company. During the nine months ended September 30, 2017, $96,794 compensation expense was recognized on these 100,000 options.

The Company used the Black-Scholes option pricing model to estimate the fair value on the date of grant of the 5,310,000 options granted during the nine months ended September 30, 2017.

The following table summarizes the assumptions used to estimate the fair value of the 5,310,000 stock options granted during the nine months ended September 30, 2017 on the date of grant.

	2017
Expected dividend yield	0%
Expected volatility	95-100%
Risk-free interest rate	1.50-1.52%
Expected life of options	2.50-4.00 years

Under the Black-Scholes option pricing model, the fair value of the 5,310,000 options granted during the nine months ended September 30, 2017 is estimated at $3,663,231 on the date of grant. During the nine months ended September 30, 2017, $3,585,852 compensation expense was recognized on these 5,310,000 options.

During 2016, the Company granted 65,000 common stock options to employees for service provided. Of these, 50,000 options were granted to two employees and were immediately vested with an exercise price of $2.91 and the expiration date is April 27, 2019. One of these employees terminated and did not exercise her 10,000 options resulting in the expiration of the option. Another 5,000 options were immediately vested and were granted with an exercise price of $3.77 and the expiration date is July 29, 2019. Another employee received 10,000 options with two-year vesting and an exercise price of $3.00 and an expiration date of December 6, 2019. The employee who received 5,000 options in July 2016 was terminated and did not exercise his options resulting in the expiration of a total of 5,000 options. The Company recognized $107,941 in compensation for the first nine months ended September 30, 2016 on these options.

The Company used the Black-Scholes option pricing model to estimate the fair value on the date of grant of the 10,000 stock-based awards that continue to vest during the nine months ended September 30, 2017.

The following table summarizes the assumptions used to estimate the fair value of the 10,000 outstanding stock options granted during 2016 on the date of grant:

	2016
Expected dividend yield	0%
Expected volatility	102%
Risk-free interest rate	1.24-1.38%
Expected life of options	2.00-2.50 years

Under the Black-Scholes option price model, fair value of the options granted during 2016 is estimated at $16,889 on the date of grant. During the nine months ended September 30, 2017, $9,353 compensation expense was recognized on these 10,000 options.

The following table represents stock option activity as of and for the nine months ended September 30, 2017:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Contractual Life in Years	Aggregate Intrinsic Value
Outstanding – December 31, 2016	442,500	$ 5.81	$ 1.72	
Exercisable – December 31, 2016	407,500	$ 5.57	$ 1.65	$ 0
Granted	5,310,000	$ 1.04		
Cancelled or Expired	(7,500)	$ 4.18		
Outstanding – September 30, 2017	5,745,000	$ 1.40	3.57	$ 0
Exercisable – September 30, 2017	5,622,500	$ 1.35	3.63	$ 0

12. WARRANTS

On August 3, 2017, upon approval of the Company's board of directors, the Company issued outside its 2015 Equity Plan, 30,000 warrants to purchase the Company's common stock to consultants for services provided. These warrants are immediately vested, are exercisable at an exercise price of $1.00 per share and expire on August 3, 2021. The Company recognized $18,617 in compensation cost during the nine months ended September 30, 2017.

On August 3, 2017, the Company issued a warrant to purchase 2,000,000 shares of the Company's common stock to Dr. Philip Frost for services to be provided under the terms of his service to the Strategic Advisory Board through April 2018. These warrants immediately vested, are exercisable at an exercise price of $1.00 per shares and expire on August 3, 2022. The Company recognized $1,445,252 in compensation cost during the nine months ended September 30, 2017.

The following table summarizes the assumptions used to estimate the fair value of the 2,030,000 warrants granted during 2017 as of re-measurement dates:

	2017
Expected dividend yield	0%
Expected volatility	190-212%
Risk-free interest rate	1.52%
Expected life of warrants	4-5 years

For the year 2016, 60,000 common stock purchase warrants were granted to four consultants for services provided. Each warrant was granted with the exercise price of $2.91, which immediately vested, and the expiration date is April 27, 2019. The Company recognized $114,779 in compensation cost during the nine months ended September 30, 2016.

During 2016, 10,472 warrants expired that were issued in 2011 with exercise prices ranging between $141.00 and $404.50 on a post-reverse split basis.

The Company used the Black-Scholes warrant pricing model to estimate the fair value on the re-measurement dates of the 12,500 warrants that vested on June 10, 2017.

The following table summarizes the assumptions used to estimate the fair value of the 12,500 warrants granted during 2015 as of re-measurement dates:

	2017
Expected dividend yield	0%
Expected volatility	107%
Risk-free interest rate	1.53%
Expected life of warrants	1 year

Under the Black-Scholes warrant pricing model, fair value of the 12,500 warrants granted during 2015 is estimated at $0 as of re-measurement dates. During the nine months ended September 30, 2017, $(3,467) compensation expense was recognized on these 12,500 warrants.

The following table represents warrant activity as of and for the period ended September 30, 2017:

	Number of Warrants	Weighted Average Exercise Price per Share	Weighted Average Contractual Life in Years	Aggregate Intrinsic Value
Outstanding – December 31, 2016	183,737	$ 7.35	2.70	
Exercisable – December 31, 2016	171,237	$ 7.15	2.79	$ 0
Granted	2,030,000	$ 1.00		
Forfeited or Expired	0	$ 0		
Outstanding – September 30, 2017	2,213,737	$ 1.53	4.59	$ 0
Exercisable – September 30, 2017	2,213,737	$ 1.53	4.59	$ 0

13. COMMITMENTS AND CONTINGENCIES

On May 16, 2016, Banco Popular North America ("Banco") filed a lawsuit in Duval County, Florida in the Circuit Court of the Fourth Judicial Circuit against Aerial Products Corporation d/b/a Southern Balloon Works ("Aerial Products"), Kevin M. Hess, LTAS, and the Company to collect on a delinquent Small Business Administration loan that Banco made in 2007 to Aerial Products with Mr. Hess as the personal guarantor. LTAS and the Company filed an Answer on June 30, 2016 and Responses to Interrogatories on December 16, 2016. The lawsuit is active and discovery is ongoing. It is our position that neither LTAS nor the Company are continuations of Aerial Products, and LTAS and the Company have denied all allegations made by Banco and will vigorously defend that position. The Company has evaluated the probability of loss as possible but the range of loss is unable to be estimated.

Other than the Banco matter, there are no material claims, actions, suits, proceedings inquiries, labor disputes or investigations pending.

14. SUBSEQUENT EVENTS

Amendment to Related Party Convertible Promissory Notes

On November 9, 2017, the Company entered into amendments (the "November 2017 Convertible Note Amendments") with the owners and holders of the Series 2016 Convertible Notes to permit the payment of, at the holders' election, accrued and unpaid interest either in monthly or quarterly payments at any time after the Effective Date. Accrued interest may be paid with: (i) cash; (ii) the issuance and delivery to the holder of shares of common stock of the Company at the conversion price provided for in the Series 2016 Convertible Note; or (iii) any combination of cash and shares of Common Stock, as determined by the holder in its sole discretion.

Related Party Consulting Agreement

On November 10, 2017, the Company and Global Security Innovative Strategies, LLC ("GSIS"), a related party, entered in an agreement whereby GSIS will provide business development support and general consulting services for sales opportunities with U.S. government agencies and other identified prospects and consulting support services for the Company's role and activities as part of the Security Center of Excellence in Orlando, Florida. The agreement is for a period of six months beginning on November 1, 2017. The Company agreed to pay GSIS a fee of $10,000 per month and will evaluate the fee after 90 days. The Company agreed to pay the expenses of GSIS incurred in connection with the performance of its duties under the agreement. Either party may terminate or renew the agreement at any time, for any reason or no reason, upon at least 30 days' notice to the other party. David Aguilar, a member of the Company's board of directors, is a principal at GSIS.

Options and Warrants issued

On November 9, 2017, upon approval of the Company's board of directors, the Company issued outside its 2015 Equity Plan, 2,000,000 options and 70,000 warrants to purchase the Company's common stock to officers, directors, employees and consultants for services provided. Jay Nussbaum was issued 900,000 options, Felicia Hess was issued 300,000 options, Dan Erdberg was issued 200,000 options, Kendall Carpenter was issued 170,000 options, Directors David Aguilar, Mike Haas and General Wayne Jackson were issued 10,000, 10,000 and 10,000 options, respectively. Reginald Brown, Jr. was issued 400,000 options. The remaining 70,000 warrants were issued to three consultants. These stock options and warrants immediately vested, are exercisable at an exercise price of $1.35 per share and expire on November 9, 2021.

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

Certain statements in Management's Discussion and Analysis ("MD&A"), other than historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements". Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may," "would," "expect," "intend," "could," "estimate," "should," "anticipate," "believe," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. These statements are subject to a number of risks, uncertainties and developments beyond our control or foresight, including changes in the trends of the advanced aerostats and tethered drone industry, formation of competitors, changes in governmental regulation or taxation, changes in our personnel and other such factors. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers should carefully review the risk factors and related notes included under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on March 17, 2017.

The following MD&A is intended to help readers understand the results of our operations and financial condition and is provided as a supplement to, and should be read in conjunction with, our Unaudited Consolidated Financial Statements and the accompanying Notes to Unaudited Consolidated Financial Statements under Part I, Item 1 of this Quarterly Report on Form 10-Q.

Growth and percentage comparisons made herein generally refer to the nine months ended September 30, 2017 compared with the nine months ended September 30, 2016 unless otherwise noted. Unless otherwise indicated or unless the context otherwise requires, all references in this document to "we," "us," "our," the "Company," and similar expressions refer to Drone Aviation Holding Corp. and, depending on the context, its subsidiaries.

Business Overview

We design, develop, market and sell lighter-than-air ("LTA") tactical aerostats, tethered drones, and land-based intelligence, surveillance and reconnaissance ("ISR") solutions. We focus on the development of a tethered aerostat known as the Winch Aerostat Small Platform ("WASP"), as well as tethered drone products, including the WATT and BOLT electric tethered drones launched on March 2, 2015 and July 13, 2016, respectively. The WATT and BOLT products are designed for commercial and military applications and provide secure and reliable aerial monitoring for extended durations while being tethered to the ground via a high strength armored tether. We also developed FUSE, a cost-effective tether system for DJI Inspire and Matrice 200 drones. The FUSE winch system enables flights up to 200 feet and offers continuous power distribution monitoring and virtually unlimited flight time.

While sales in the past quarter decreased compared to the same period in 2016, this decrease was primarily a result of a longer sales cycle stemming in part from the recent change in administration and congressional budgeting delays. We expect increased sales in future periods based on a product pipeline that is developing following our increased marketing efforts and our announcement of the following:

- On October 17, 2017, we announced an order for the upgraded, multi-mission capable tactical WASP from an existing U.S. Department of Defense customer, valued in excess of $800,000 and expected to be delivered during the fourth quarter of 2017.

- On August 28, 2017, we announced the launch of our FUSE Tether System for DJI Commercial Drones through a commercial sales program with Drone Nerds, Inc.

- On May 9, 2017, we announced the new heavy lift WATT 300 Multirotor Tethered Drone and recently upgraded WASP Military Aerostat platforms at SOFIC 2017.

- On May 25, 2017, we announced our new product called FUSE which is an automated smart winch tethering system designed to meet the unique specifications for DJI Inspire drones, the world's most popular commercial drone.

Our marketing efforts include submission of bids on a several government procurement projects that we expect will be awarded in the fourth quarter of 2017 and 2018. We also showcased our products and technologies at numerous conferences and live demonstrations, including the 2017 Special Operations Forces Industry Conference, Warrior Expo East, State of Florida HURREX exercise, CyberQuest 2017, and presentations to a variety of federal and state government agencies. In anticipation of increased sales resulting from our developing product pipeline, we completed financing transactions that provide us with up to $4,000,000 in cash and extended the maturity date on $3,000,000 of convertible debt until April 2019 providing us with significant increased liquidity and a strengthened balance sheet. While there is no assurance that the opportunities included in our developing pipeline will result in orders for our products, we have positioned ourselves to be able to deliver the goods and services we have bid on.

In addition to our plans to organically grow our lighter than air systems through increased marketing and sales, we intend to continue to consider potential strategic transactions, which could involve acquisitions of businesses or assets, joint ventures or investments in businesses, products or technologies that expand, complement or otherwise relate to our current or future business.

Results of Operations

Three Months Ended September 30, 2017 compared to Three Months Ended September 30, 2016

Revenues: Revenues of $93,105 for the quarter ended September 30, 2017 decreased $53,103 or 36% from $146,208 for the same period in 2016. Sources of revenue were derived primarily from aerostat products and accessories. The decrease in sales volume was primarily a result of a longer sales cycle stemming in part from the recent change in presidential administration and congressional budgeting delays. We expect increased sales in future periods based on a product pipeline developed following our increased marketing efforts discussed in the Business Overview section above.

Cost of Goods Sold and Gross Profit: Cost of goods sold of $33,594 for the quarter ended September 30, 2017 decreased $31,057 or 48% from $64,651 for the same period in 2016. Costs included materials, parts and labor associated with the sale of aerostat products and accessories. The $59,511 gross profit for the quarter ended September 30, 2017 was a decrease of $22,046 or 27% from the $81,557 in gross profit for the same quarter of 2016. Gross profit margins were 64% and 56% for the quarters ended September 30, 2017 and 2016, respectively.

General and Administrative Expense: General and administrative expense primarily consists of payroll and related costs, sales and marketing costs, research and development costs, business overhead and costs related to maintaining a public entity. General and administrative expenses increased $657,447 or 17% to $4,544,499 in the quarter ended September 30, 2017 from $3,887,052 for the same period in 2016. Contributing to the increase was non-cash stock based compensation of $3,591,430 which increased $974,945 from $2,616,485 in the same period of 2016 and an increase of $54,343 in marketing expense to $97,215 from $42,872 for the same period in 2016, offset by research and develop costs of $97,979, a decrease of $306,925 from the same period in 2016 and legal expenses of $16,015 which decreased $84,013 from $100,028 for the same period in 2016.

Loss from Operations: Loss from operations for the quarter ended September 30, 2017 increased $679,493 or 18% to $4,484,988 from loss from operations of $3,805,495 for the same period in 2016. The decrease was primarily due to a decrease in gross profit of $22,046 and by the increase of general and administrative expense of $657,447 as discussed above.

Other Expense: Total other expense of $278,837 for the quarter ended September 30, 2017 was $350,992 greater than the total other income of $72,155 in the same period in 2016. This increase was primarily due to $376,636 interest expense associated with convertible notes payable, bank and related party lines of credit and amortization of debt discount, $681,988 loss recorded on debt extinguishment from the modification of terms of the 2016 related party convertible note payable partially offset by $779,787 non-cash income due to a derivative gain on convertible debt. In the same period of 2016, the other income mainly included $75,000 debt forgiveness.

Net Loss: Net loss increased $1,030,485 or 28% to $4,763,825 for the quarter ended September 30, 2017 from net loss of $3,733,340 for the same period in 2016. The decrease in net loss was due to factors discussed above.

Nine Months Ended September 30, 2017 compared to Nine Months Ended September 30, 2016

Revenues: Revenues of $474,634 for the nine months ended September 30, 2017 decreased $599,038 or 56% from $1,073,672 for the same period in 2016. Sources of revenue were derived primarily from aerostat products, refurbishments and accessories ordered in 2016 and delivered in 2017. The reason for the decrease is that revenues in the nine months of 2017 were primarily related to refurbishments and enhancements of aerostat systems and the revenues in the nine months of 2016 were primarily from the sale of an aerostat system. Also contributing to the decrease in sales volume was a longer sales cycle stemming in part from the recent change in presidential administration and congressional budgeting delays. We expect increased sales in future periods based on a product pipeline developed following our increased marketing efforts discussed in the Business Overview section above.

Cost of Goods Sold and Gross Profit: Cost of goods sold of $283,590 for the nine months ended September 30, 2017 decreased $90,522 or 24% from $374,112 for the same period in 2016. Costs in both periods included materials, parts and labor associated with the sale of aerostat products, refurbishments and accessories. The aerostat system delivered in the first quarter of 2016 had a 73% gross profit margin which was greater than the gross profit realized in the first quarter of 2017 on aerostat system refurbishments due to the increased time and material costs to disassemble and reassemble refurbished systems. The $191,044 gross profit for the nine months ended September 30, 2017 was a decrease of $508,516 or 73% from the $699,560 in gross profit for the same period of 2016. Gross profit margins were 40% and 65% for the nine months ended June 30, 2017 and 2016, respectively.

General and Administrative Expense: General and administrative expense primarily consists of payroll and related costs, sales and marketing costs, research and development costs, business overhead and costs related to maintaining a public entity. General and administrative expenses decreased $463,904 or 6% to $7,432,226 in the nine months ended September 30, 2017 from $7,896,130 for the same period in 2016. Contributing to the decrease was non-cash stock-based compensation of $4,829,598 for the nine months ended September 30, 2017, a decrease of $36,726 from $4,866,324 in the same period in 2016. Research and development costs decreased $687,696 due to drone products becoming ready for market, partially offset by an amortization expense increase of $121,667 related to assets acquired from AFI in 2015 and fully integrated in 2016, and an increase in marketing expenses of $70,552 and an increase in travel of $61,826.

Loss from Operations: Loss from operations for the nine months ended September 30, 2017 increased $44,612 or 1% to $7,241,182 from loss from operations of $7,196,570 for the same period in 2016. The decrease was primarily due to a decrease in gross profit of $508,516 partially offset by an increase of general and administrative expense of $463,904 as discussed above.

Other Expense: Total other expense of $408,742 for the nine months ended September 30, 2017 was $491,617 greater than the total other income of $82,875 in 2016. This increase was primarily due to $1,555,240 interest expense associated with convertible notes payable, bank and related party lines of credit and amortization of debt discount, $681,988 loss recorded on debt extinguishment from the modification of terms of the 2016 related party convertible note payable partially offset by $1,831,635 non-cash income due to a derivative gain on convertible debt. In the same period of 2016, the other income mainly included $75,000 recorded for gain on debt forgiveness and $11,000 recorded for gain on settlement of make whole provision.

Net Loss: Net loss increased $536,229 or 8% to $7,649,924 for the nine months ended September 30, 2017 from net loss of $7,113,695 for the same period in 2016. The decrease in net loss was due to factors discussed above.

Liquidity and Capital Resources

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. As of September 30, 2017, the Company had $1,764,389 in cash compared to $2,015,214 in cash at December 31, 2016, a decrease of $250,825. As of September 30, 2017, the Company had accounts receivable of $100,749 compared to $394,000 at December 31, 2016, a decrease of $293,251 resulting from increased collections in the first nine months of 2017.

The Company had total current assets of $2,671,573 and total current liabilities of $2,338,139, or working capital of $333,434 at September 30, 2017 compared to total current assets of $2,989,713 and total current liabilities of $3,080,628, or working capital deficit of $90,915 at December 31, 2016.

We have historically financed our operations through operating revenues and sales of equity and convertible debt securities. Although as of September 30, 2017 we have cash of $1,764,389, we have a working capital of $333,434 and incurred a net loss from operations of $6,926,527. Furthermore, the Company has a history of negative cash flow from operations, primarily due to historically heavy investment in research and development and costs associated with maintaining a public entity. While we expect a substantial reduction in research and development costs, we believe our existing working capital and access to capital are sufficient to continue our operations for the next 12 months.

In anticipation of increased sales resulting from our developing product pipeline, on August 2, 2017, we completed financing transactions that provide us with up to $4,000,000 in cash and extended the maturity date on $3,000,000 of convertible debt until April 2019 providing us with significant increased liquidity and a strengthened balance sheet. The following is a summary of these completed financing transaction:

Revolving Line of Credit from City National Bank of Florida. On August 2, 2017, the Company issued a promissory note to City National Bank of Florida ("CNB") in the principal amount of $2,000,000, the CNB Note. The note evidences a revolving line of credit with advances that may be requested by the Company until the maturity date of August 2, 2018 so long as no event of default exists under the note, the Company or Mr. Nussbaum does not cease doing business, Mr. Nussbaum does not seek to revoke or modify his guarantee of the Note, the Company does not misapply the proceeds of this loan or CNB in good faith does not believe itself insecure. The CNB Note bears interest at a variable rate equal to 0.250 percentage points over the Wall Street Journal Prime Rate payable monthly. The Company will pay to CNB a late charge of 5.0% of any monthly payment not received by Lender within 10 calendar days after its due date. The Company may prepay the note at any time without penalty. In the event of a default, the interest rate will increase to the highest lawful rate. The Company is obligated to maintain depository accounts with CNB with a minimum average annual balance of $600,000. In the event the Company does not maintain this account balance, CNB may charge the Company a fee equal to 2% of the deficiency as additional interest under the note. The CNB Note is personally guaranteed by Mr. Nussbaum, the Company's Chief Executive Officer pursuant to written guarantee in favor of CNB (the "CNB Guarantee"). Mr. Nussbaum and the Company are obligated to maintain an unencumbered liquidity of no less than $6,000,000 in the form of cash, repurchase agreements, certificates of deposit or marketable securities acceptable to CNB. In addition, to secure our obligations under the note, we entered into a security agreement in favor of CNB (the "Security Agreement") encumbering all of our accounts, inventory and equipment along with an assignment of a bank account we maintain at CNB with an approximate balance of $90,000. As of September 30, 2017, we have drawn a total of $1,000,000 under the CNB Note leaving availability of $1,000,000 under such note.

Series 2017 Secured Convertible Note. On August 2, 2017, the Company issued a Secured Convertible Promissory Note Series 2017 due August 2, 2018 in the aggregate principal amount of $2,000,000 (the "Series 2017 Convertible Note") in a private placement to Frost Nevada Investments Trust ("Frost Nevada"). Frost Nevada is a trust that is controlled by Dr. Frost, a substantial shareholder of the Company. The note evidences a revolving line of credit with advances that may be requested by the Company until the maturity date of August 2, 2018 so long as no event of default exists under the loan. The Company may request advances of principal under this note equal to and at the same time as it requests advances, if any, pursuant to the CNB Note. The note bears interest at a variable rate equal to 0.250 percentage points over the Wall Street Journal Prime Rate. The Company may prepay the notes at any time without penalty. If the Company does not prepay the note in full or the holder does not convert the note before the maturity date, the Company may pay the outstanding principal amount and any accrued and unpaid interest on the maturity date with cash or with common stock or through a combination of cash and stock at Frost Nevada's discretion. The conversion price under the note is $1.00 per share subject to proportional adjustment in the event of stock splits, stock dividends and similar corporate events. The Series 2017 Convertible Note is secured by a security interest in all of the Company's assets. This security interest is subordinate to the security interest of CNB discussed above.

As of September 30, 2017, we have drawn a total of $1,000,000 under the Series 2017 Secured Convertible Note leaving availability of $1,000,000 under such note.

Amendments to Related Party Convertible Promissory Notes. On August 3, 2017, the Company entered into amendments (the "Convertible Note Amendments") with the owners and holders of the following convertible promissory notes issued by the Company (the "Convertible Notes"):

- Convertible Promissory Note in the original principal amount of $1,500,000 issued by the Company on September 29, 2016 to Frost Gamma Investments Trust ("Frost Gamma"). Frost Gamma is a trust that is controlled by Dr. Phillip Frost, a substantial shareholder of the Company; and

- Convertible Promissory Note in the original principal amount of $1,500,000 issued by the Company on September 29, 2016 to Jay H. Nussbaum, the Company's Chief Executive Officer and Chairman of the Board of Directors.

The Convertible Note Amendments extend the maturity date for each of the Convertible Notes to April 1, 2019 (the "Maturity Date") and revise the conversion price to mean $1.00 per share subject to proportional adjustment in the event of stock splits, stock dividends and similar corporate events. Consistent with the original terms of the Convertible Notes, interest accrues at the rate of 6% interest per annum and is payable on the Maturity Date. The accrued interest is payable at the holders' option in cash or shares of our common stock valued at the $1.00 per share conversion price. The Convertible Note Amendments provide that an event of default in the City National Bank Loan will be treated as an event of default under the Convertible Notes.

On November 9, 2017, the Company entered into amendments (the "November 2017 Convertible Note Amendments") with the owners and holders of the Series 2016 Convertible Notes to permit the payment of, at the holders' election, accrued and unpaid interest either in monthly or quarterly payments at any time after the Effective Date. Accrued interest may be paid with: (i) cash; (ii) the issuance and delivery to the holder of shares of common stock of the Company at the conversion price provided for in the Series 2016 Convertible Note; or (iii) any combination of cash and shares of Common Stock, as determined by the holder in its sole discretion.

Sources and Uses of Cash

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Cash flows (used in) operating activities	$ (2,250,150)	$ (1,991,165)
Cash flows (used in) investing activities	(675)	(14,099)
Cash flows provided by financing activities	2,000,000	2,965,000
Net (decrease) increase in cash and cash equivalents	$ (250,825)	$ 959,736

Operating Activities

Net cash used in operating activities during the nine months ended September 30, 2017 was $2,250,150, which was an increase of $258,985, or 13%, from $1,991,165 net cash used in operating activities for the nine months ended September 30, 2016. The net loss of ($7,649,924) for the first nine months of 2017 was $536,229 greater than the same period of 2016, which was ($7,113,695). In addition to the decreased net loss, the Company recognized $36,726 less non-cash stock based compensation in the first nine months of 2017 than the previous year, offset by a $167,643 decrease in working capital for the nine months ended September 30, 2017 compared to the same period in 2016. The Company recognized a non-cash gain on derivative liability of $1,831,635, an increase of $1,831,659 over the same period in 2016, which was $(24). Amortization expense of $219,000 on intangible assets during the nine months ended September 30, 2017 was $121,667, or 125%, greater than the same period in 2016, which was $97,333.

***Investing Activities*:**

Net cash used in investing activities was $675 and $14,099 during the nine months ended September 30, 2017 and 2016, respectively, which in each case was related to purchase of shop machines and equipment, computers and electronics and furniture and equipment.

Financing Activities:

Financing activities during the first nine months of 2017 included $1,000,000 proceeds from a bank line of credit and $1,000,000 proceeds from a related party convertible note payable. Financing activities for the first nine months of 2016 included $3,000,000 in proceeds from the issuance of convertible notes payable offset by $35,000 paid to satisfy the delinquent Oklahoma Technology Commercialization Center loan.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that materially effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Estimates

The Company's accounting policies are more fully described in Note 1 of the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on March 17, 2017. As disclosed therein, the preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates. The Company believes that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results of operations and require management's most difficult, subjective and complex judgments.

Accounts Receivable and Credit Policies:

Accounts receivable-trade consists of amounts due from the sale of tethered aerostats, accessories, spare parts, and customization and refurbishment of aerostats. Such accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days of receipt of the invoice. We provide an allowance for doubtful accounts equal to the estimated uncollectible amounts based on historical collection experience and a review of the current status of trade accounts receivable. At September 30, 2017 and December 31, 2016, none of the Company's accounts receivable-trade was deemed uncollectible.

Revenue Recognition and Unearned Revenue:

The Company recognizes revenue when all four of the following criteria are met: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred and title has transferred or services have been rendered; 3) our price to the buyer is fixed or determinable; and 4) collectability is reasonably assured. We record unearned revenue as a liability and the associated costs of sales as work in process inventory. There is a balance of $34,549 in accounts receivable at September 30, 2017 for employee commission advances and no balance in unearned revenue.

Derivative Financial Instruments:

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a Black-Scholes option pricing model, in accordance with ASC 815-15 "Derivative and Hedging" to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Stock-Based Compensation:

We account for stock-based compensation in accordance with ASC 718, "Compensation-Stock Compensation." ASC 718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant-date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period.

Recently Issued Accounting Pronouncements

Management does not believe that any recently issued, but not effective, accounting standards, if currently adopted, would have a material effect on the Company's financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

As a smaller reporting company, as that term is defined in Item 10(f)(1) of Regulation S-K, we are not required to provide information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2017. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of September 30, 2017 for the reasons discussed below. In addition, management identified the following material weaknesses in its assessment of the effectiveness of disclosure controls and procedures as of September 30, 2017:

The Company did not effectively segregate certain accounting duties due to the small size of its accounting staff.

A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Notwithstanding the determination that our internal control over financial reporting was not effective, as of June 30, 2017, and that there was a material weakness as identified in this Quarterly Report, we believe that our consolidated financial statements contained in this Quarterly Report fairly present our financial position, results of operations and cash flows for the years covered hereby in all material respects.

We expect to be dependent upon our Chief Financial Officer who is knowledgeable and experienced in the application of U.S. Generally Accepted Accounting Principles to maintain our disclosure controls and procedures and the preparation of our financial statements for the foreseeable future. We plan on increasing the size of our accounting staff at the appropriate time for our business and its size to ameliorate our concern that we do not effectively segregate certain accounting duties, which we believe would resolve the material weakness in disclosure controls and procedures, but there can be no assurances as to the timing of any such action or that we will be able to do so.

(b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Except as discussed below, we are not currently aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition, or operating results.

Banco Popular North America. v Aerial Products Corporation d/b/a Southern Balloon Works, et al. (Fourth Judicial Circuit Court, Duval County Florida-Civil Division) Case No. 16:2016:CA-003343

On May 16, 2016, Banco Popular North America ("Banco") filed a lawsuit in Duval County, Florida in the Circuit Court of the Fourth Judicial Circuit against Aerial Products Corporation d/b/a Southern Balloon Works ("Aerial Products"), Kevin M. Hess, LTAS, and the Company to collect on a delinquent Small Business Administration loan that Banco made in 2007 to Aerial Products with Mr. Hess as the personal guarantor. LTAS and the Company filed an Answer on June 30, 2016 and Responses to Interrogatories on December 16, 2016 and we are now in the discovery phase of litigation. The lawsuit is active and discovery is ongoing. It is our position that neither LTAS nor the Company are continuations of Aerial Products, and LTAS and the Company has denied all allegations made by Banco and is vigorously defending itself. The Company has evaluated the probability of loss as possible but the range of loss is unable to be estimated.

Other than the Banco matter, there are no material claims, actions, suits, proceedings inquiries, labor disputes or investigations pending.

ITEM 1A. RISK FACTORS

Smaller reporting companies are not required to provide the information required by this Item.

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

<u>Issuance of Common Stock</u>

On August 3, 2017, the Company awarded 250,000 shares of the Company's unregistered restricted Common Stock to two members of the Strategic Advisory Board for services.

<u>Issuance of Secured Convertible Promissory Note</u>

On August 2, the Company issued a Secured Convertible Promissory Note Series 2017 due August 2, 2018 in the aggregate principal amount of $2,000,000 (the "Series 2017 Convertible Note") in a private placement to Frost Nevada Investments Trust ("Frost Nevada").

The Series 2017 Convertible Note was issued in reliance upon the exemption from securities registration afforded by the provisions of Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act").

Issuance of Stock Options and Warrants

On August 3,2017, the Company issued outside its 2015 Equity Plan, 5,210,000 options to purchase the Company's common stock to officers, directors and employees for services provided. Jay Nussbaum was issued 2,000,000 options, Felicia Hess was issued 1,200,000 options, Dan Erdberg was issued 1,140,000 options, Kendall Carpenter was issued 275,000 options, Directors David Aguilar, Mike Haas and General Wayne Jackson were issued 100,000, 10,000 and 10,000 options, respectively. The remaining 475,000 options were issued to employees and consultants. These stock options immediately vested, are exercisable at an exercise price of $1.00 per share and expire on August 3, 2021.

On August 3, 2017, the Company issued outside its 2015 Equity Plan, 30,000 warrants to purchase the Company's common stock to consultants for services provided. These warrants immediately vested, are exercisable at an exercise price of $1.00 per share and expire on August 3, 2021.

On August 3, 2017, the Company issued a warrant to purchase 2,000,000 shares of the Company's common stock to Dr. Philip Frost for services to be provided under the terms of his service to the Strategic Advisory Board through April 2018. These warrants immediately vested, are exercisable at an exercise price of $1.00 per shares and expire on August 3, 2022.

The Stock Options and Warrants were issued in reliance upon the exemption from securities registration afforded by the provisions of Section 4(a)(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On November 9, 2017, the Company entered into amendments (the "November 2017 Convertible Note Amendments") with the owners and holders of the Series 2016 Convertible Notes to permit the payment of, at the holders' election, accrued and unpaid interest either in monthly or quarterly payments at any time after the Effective Date. Accrued interest may be paid with: (i) cash; (ii) the issuance and delivery to the holder of shares of common stock of the Company at the conversion price provided for in the Series 2016 Convertible Note; or (iii) any combination of cash and shares of Common Stock, as determined by the holder in its sole discretion.

On November 10, 2017, the Company and Global Security Innovative Strategies, LLC ("GSIS"), a related party, entered in an agreement whereby GSIS will provide business development support and general consulting services for sales opportunities with U.S. government agencies and other identified prospects and consulting support services for the Company's role and activities as part of the Security Center of Excellence in Orlando, Florida. The agreement is for a period of six months beginning on November 1, 2017. The Company agreed to pay GSIS a fee of $10,000 per month and will evaluate the fee after 90 days. The Company agreed to pay the expenses of GSIS incurred in connection with the performance of its duties under the agreement. Either party may terminate or renew the agreement at any time, for any reason or no reason, upon at least 30 days' notice to the other party. David Aguilar, a member of the Company's board of directors, is a principal at GSIS.

On November 9, 2017, upon approval of the Company's board of directors, the Company issued outside its 2015 Equity Plan, 2,000,000 options and 70,000 warrants to purchase the Company's common stock to officers, directors, employees and consultants for services provided. Jay Nussbaum was issued 900,000 options, Felicia Hess was issued 300,000 options, Dan Erdberg was issued 200,000 options, Kendall Carpenter was issued 170,000 options, Directors David Aguilar, Mike Haas and General Wayne Jackson were issued 10,000, 10,000 and 10,000 options, respectively. Reginald Brown, Jr. was issued 400,000 options. The remaining 70,000 warrants were issued to three consultants. These stock options and warrants immediately vested, are exercisable at an exercise price of $1.35 per share and expire on November 9, 2021.

ITEM 6. EXHIBITS

The Exhibits listed in the accompanying Exhibit Index are filed, furnished herewith, or incorporated by reference as part of this Quarterly Report on Form 10-Q, in each case as set forth in the Exhibit Index.

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.

DRONE AVIATION HOLDING CORP.

Date: November 13, 2017	By: /s/ JAY H. NUSSBAUM Jay H. Nussbaum Chief Executive Officer (Principal Executive Officer)
Date: November 13, 2017	By: /s/ KENDALL CARPENTER Kendall Carpenter Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporation by Reference Form	Filing Date	Exhibit Number	SEC File No.	Filed Herewith
2.1	Agreement and Plan of Merger, dated April 30, 2014, between Drone Aviation Holding Corp. and MacroSolve, Inc.	8-K	5/5/14	2.1	333-150332	
2.2	Plan of Merger, effective March 26, 2015, between Drone Aviation Holding Corp. and Drone Aviation Corp.	10-K	3/31/15	10.14	333-150332	
2.3	Asset Purchase Agreement, dated July 20, 2015, between Drone AFS Corp. Drone Aviation Holding Corp., Adaptive Flight, Inc., and the shareholders of Adaptive Flight, Inc.	8-K	7/21/15	10.1	333-150332	
3.1	Articles of Incorporation of Drone Aviation Holding Corp., dated April 17, 2014	8-K	5/5/14	3.1	333-150332	
3.2	Certificate of Amendment to Articles of Incorporation of Drone Aviation Holding Corp., dated October 29, 2015	8-K	10/30/15	3.1	333-150332	
3.3	Bylaws of Drone Aviation Holding Corp.	8-K	5/5/14	3.6	333-150332	
3.4	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock	8-K	5/5/14	3.2	333-105332	
3.5	Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock	8-K	5/5/14	3.3	333-105332	
3.6	Certificate of Designation of Preferences, Rights and Limitations of Series B-1 Convertible Preferred Stock	8-K	5/5/14	3.4	333-105332	
3.7	Certificate of Designation of Preferences, Rights and Limitations of Series C Convertible Preferred Stock	8-K	5/5/14	3.5	333-105332	
3.8	Certificate of Designation of Preferences, Rights and Limitations of Series D Convertible Preferred Stock	8-K	6/5/14	3.1	333-105332	
3.9	Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock	8-K	6/5/14	3.2	333-105332	
3.10	Certificate of Amendment to Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock	8-K	6/3/15	3.3	333-105332	
3.11	Certificate of Designation of Preferences, Rights and Limitations of Series F Convertible Preferred Stock	8-K	8/28/14	3.1	333-105332	
3.12	Certificate of Amendment to Certificate of Designation of Preferences, Rights and Limitations of Series F Convertible Preferred Stock	8-K	6/3/15	3.4	333-105332	
3.13	Certificate of Designation of Preferences, Rights and Limitations of Series G Convertible Preferred Stock	8-K	6/3/15	3.1	333-105332	
3.14	Certificate of Correction to the Certificate of Designation of Preferences, rights and Limitations of Series G Convertible Preferred Stock	8-K	6/3/15	3.2	333-105332	

Exhibit Number	Exhibit Description	Incorporation by Reference Form	Filing Date	Exhibit Number	SEC File No.	Filed Herewith
4.1	Form of Convertible Promissory Note Series 2016 due October 1, 2017	8-K	9/30/16	4.1	333-105332	
4.1(a)	(a) Form of Amendment to Convertible Promissory Note Series 2016	10-Q	8/4/17	4.1(a)	333-150332	
4.1(b)	(b) Form of November 2017 Amendment to Convertible Promissory Note Series 2016	10-Q	11/13/17			X
4.2	Form of Secured Convertible Promissory Note Series 2017-08 due August 2, 2018	10-Q	8/4/17	4.2	333-150332	
10.1	Form of Indemnification Agreement for Directors and Officers	8-K	6/5/14	10.4	333-105332	
10.2	Independent Contractor Agreement, dated July 29, 2013, by and among US Technik, Inc., Lighter Than Air Systems Corp., and World Surveillance Group, Inc.	8-K	6/5/14	10.9	333-105332	
10.3	Form of Independent Contractor Agreement for members of the Strategic Advisory Board of Drone Aviation Holding Corp.	8-K	8/28/14	10.2	333-10532	
10.4*	Employment Agreement, dated May 18, 2015, between Drone Aviation Holding Corp. and Daniyel Erdberg	10-Q	5/15/15	10.17	333-150332	
10.4(a)*	(a) Amendment No. 1 to Employment Agreement, dated October 2, 2015, between Drone Aviation Holding Corp. and Daniyel Erdberg	8-K	10/7/15	10.2	333-150332	
10.4(b)*	(b) Amendment No. 2 to Employment Agreement, dated April 27, 2016, between Drone Aviation Holding Corp., and Daniyel Erdberg	10-Q	4/29/16	10.4	333-150332	
10.4(c)*	(c) Amendment No. 3 to Employment Agreement, dated September 26, 2016, by and between Drone Aviation Holding Corp. and Daniyel Erdberg	8-K	9/30/16	10.5	333-150332	
10.4(d)*	(d) Amendment No. 4 to Employment Agreement, dated August 3, 2017, between Drone Aviation Holding Corp., and Daniyel Erdberg	10-Q	8/4/17	10.4(d)	333-150332	
10.5*	Employment Agreement, dated May 18, 2015, between Drone Aviation Holding Corp. and Felicia A. Hess	10-Q	5/15/15	10.15	333-150332	
10.5(a)*	(a) Amendment No. 1 to Employment Agreement, dated October 2, 2015, between Drone Aviation Holding Corp. and Felicia Hess	8-K	10/7/15	10.1	333-150332	
10.5(b)*	(b) Amendment No. 2 to Employment Agreement, dated April 27, 2016, between Drone Aviation Holding Corp. and Felicia Hess	10-Q	4/29/16	10.5	333-150332	
10.5(c)*	(c) Amendment No. 3 to Employment Agreement, dated September 26, 2016, by and between Drone Aviation Holding Corp. and Felicia Hess	8-K	9/30/16	10.3	333-150332	
10.5(d)*	(d) Amendment No. 4 to Employment Agreement, dated August 3, 2017, by and between Drone Aviation Holding Corp. and Felicia Hess	10-Q	8/4/17	10.5(d)	333-150332	
10.6*	Employment Agreement, dated May 18, 2015, between Drone Aviation Holding Corp. and Kendall Carpenter	10-Q	5/15/15	10.16	333-150332	
10.6(a)*	(a) Amendment No. 1 to Employment Agreement, dated April 27, 2016, between Drone Aviation Holding Corp. and Kendall Carpenter	10-Q	4/29/16	10.3	333-150332	
10.6(b)*	(b) Amendment No. 2 to Employment Agreement, dated September 26, 2016, by and between Drone Aviation Holding Corp. and Kendall Carpenter	8-K	9/30/16	10.6	333-150332	
10.6(c)*	(c) Amendment No. 3 to Employment Agreement, dated August 3, 2017, by and between Drone Aviation Holding Corp. and Kendall Carpenter	10-Q	8/4/17	10.6(c)	333-150332	
10.7*	Director Agreement, dated June 4, 2015, between Drone Aviation Holding Corp. and Jay Nussbaum	8-K	6/5/15	10.1	333-150332	
10.8	Intellectual Property Assignment Agreement, dated July 20, 2015, between Adaptive Flight, Inc., and Drone AFS Corp.	8-K	7/21/15	10.5	333-150332	

Exhibit Number	Exhibit Description	Incorporation by Reference Form	Filing Date	Exhibit Number	SEC File No.	Filed Herewith
10.9	Form of Non-Exclusive, Perpetual Intellectual Property and Patent License Agreement of Drone Aviation Holding Corp., dated July 20, 2015	8-K	7/21/15	10.6	333-150332	
10.10*	Drone Aviation Holding Corp. 2015 Equity Incentive Plan	8-K	9/11/15	99.1	333-150332	
10.11*	Amended and Restated Employment Agreement, dated October 2, 2015, between Drone Aviation Holding Corp. and Kevin Hess	8-K	10/7/15	10.3	333-150332	
10.11(a)*	(a) Amendment No. 2 to Employment Agreement, dated April 27, 2016, between Drone Aviation Holding Corp. and Kevin Hess	10-Q	4/29/16	10.1	333-150332	
10.11(b)*	(b) Amendment No. 3 [sic] to Employment Agreement, dated September 26, 2016, between Drone Aviation Holding Corp. and Kevin Hess	8-K	9/30/16	10.4	333-150332	
10.12	Form of Drone Aviation Holding Corp. Warrant to purchase Common Stock issued to Dougherty & Company, LLC, as Placement Agent	8-K	11/23/15	4.1	333-150332	
10.13	Form of Drone Aviation Holding Corp. Common Stock Purchase Agreement for Private Offering Under Section 4(a)(2) of the Securities Act of 1933 and Rule 506(b)	8-K	11/23/15	10.1	333-150332	
10.14	Form of Preferred Stock Conversion and Lockup Agreement for Series A Convertible Preferred Stock	8-K	11/23/15	10.2	333-150332	
10.15	Form of Preferred Stock Conversion and Lockup Agreement for Series B Convertible Preferred Stock	8-K	11/23/15	10.3	333-150332	
10.16	Form of Exchange Agreement for Series B-1 Convertible Preferred Stock	8-K	11/23/15	10.9	333-150332	
10.17	Form of Preferred Stock Conversion and Lockup Agreement for Series C Convertible Preferred Stock	8-K	11/23/15	10.4	333-150332	
10.18	Form of Preferred Stock Conversion and Lockup Agreement for Series D Convertible Preferred Stock	8-K	11/23/15	10.5	333-150332	
10.19	Form of Preferred Stock Conversion Agreement for Series E Convertible Preferred Stock	8-K	11/23/15	10.6	333-150332	
10.20	Form of Preferred Stock Conversion Agreement for Series F Convertible Preferred Stock	8-K	11/23/15	10.7	333-150332	
10.21	Form of Preferred Stock Conversion Agreement for Series G Convertible Preferred Stock	8-K	11/23/15	10.8	333-150332	
10.22*	Employment Agreement, dated April 27, 2016, between Drone Aviation Holding Corp. and Jay H. Nussbaum	10-Q	4/29/16	10.2	333-150332	
10.22(a)*	(a) Amendment No. 1 to Employment Agreement, dated September 26, 2016, by and between Drone Aviation Holding Corp. and Jay H. Nussbaum	8-K	9/30/16	10.2	333-150332	
10.22(b)*	(b) Amendment No. 2 to Employment Agreement, dated August 3, 2017, by and between Drone Aviation Holding Corp. and Jay H. Nussbaum	10-Q	8/4/17	10.22(b)	333-150332	
10.23*	Form of Drone Aviation Holding Corp. Restricted Stock Agreement (Non-Assignable) (Effective April 27, 2016)	10-Q	7/29/16	10.7	333-150332	

Exhibit Number	Exhibit Description	Incorporation by Reference Form	Filing Date	Exhibit Number	SEC File No.	Filed Herewith
10.24*	Form of Drone Aviation Holding Corp. Restricted Stock Agreement (Non-Assignable)	8-K	9/30/16	10.7	333-150332	
10.25	Form of Subscription Agreement for Convertible Promissory Notes Series 2016 due October 1, 2017	8-K	9/30/16	10.1	333-150332	
10.26*	Offer Letter between Drone Aviation Holding Corp. and David V. Aguilar, accepted January 9, 2017	8-K	1/12/17	10.1	333-150332	
10.27*	Director Agreement, dated January 9, 2017, between Drone Aviation Holding Corp. and David V. Aguilar	8-K	1/12/17	10.2	333-150332	
10.28*	Form of Drone Aviation Holding Corp. Nonqualified Stock Option Agreement	8-K	1/12/17	10.3	333-150332	
10.29	Form of Promissory Note and Security Agreement issued by Drone Aviation Holding Corp. to City National Bank of Florida dated August 2, 2017	10-Q	8/4/17	10.29	333-150332	
10.30	Form of Guarantee issued by Jay Nussbaum to City National Bank of Florida dated August 2, 2017	10-Q	8/4/17	10.30	333-150332	
10.31	Indemnification Agreement between Drone Aviation Holding Corp. and Jay H. Nussbaum	10-Q	8/4/17	10.31	333-150332	
10.32*	Form of Drone Aviation Holding Corp. Amendment to Restricted Stock Agreement dated August 3, 2017	10-Q	8/4/17	10.32	333-150332	
10.33*	Form of Amendment No. 2 to Independent Contractor Agreement dated August 3, 2017	10-Q	8/4/17	10.33	333-150332	
10.34*	Warrant issued by Drone Aviation Holding Corp. to Dr. Phillip Frost dated August 3, 2017	10-Q	8/4/17	10.34	333-150332	
10.35	Consulting Agreement between Drone Aviation Holding Corp. and Global Security Innovative Strategies, LLC dated November 10, 2017					X
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		–	–		X
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		–	–		X
32	Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002		–	–		X
101 INS	XBRL Instance Document	–	–	–	–	X
101 SCH	XBRL Taxonomy Extension Schema Document	–	–	–	–	X
101 CAL	XBRL Taxonomy Calculation Linkbase Document	–	–	–	–	X
101 LAB	XBRL Taxonomy Labels Linkbase Document	–	–	–	–	X
101 PRE	XBRL Taxonomy Presentation Linkbase Document	–	–	–	–	X
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document	–	–	–	–	X

* Indicates management contract or compensatory plan or arrangement.

Exhibit 4.1(b)

NOVEMBER 2017 AMENDMENT TO CONVERTIBLE PROMISSORY NOTE

THIS NOVEMBER 2017 AMENDMENT TO CONVERTIBLE PROMISSORY NOTE SERIES 2016 (the "November 2017 Amendment") is made effective as of November 9, 2017 (the "Effective Date") by and between Drone Aviation Holding Corp., a Nevada corporation (the "Company") and _________________________ (the "Holder") (collectively the "Parties").

BACKGROUND

A. The Company and Holder are the parties to that certain Convertible Promissory Note Series 2016, originally issued by the Company to the Holder on September 29, 2016, in the original principal amount of $1,500,000.00 (the "Note");

B. The Parties amended the Note on August 3, 2017 pursuant to the terms of an Amendment to Convertible Promissory Note (the "August 2017 Amendment");

C. The Parties desire to further amend the Note as amended by the August 2017 Amendment, as set forth below.

NOW THEREFORE, in consideration of the execution and delivery of the November 2017 Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Sections 1(a), 1(b) and 1(f) of the Note shall be replaced in its entirety with the following new sections:

(a) Section 1(a) – Payment of Principal and Interest; Prepayment. Subject to the terms of this Note, the Company shall pay the outstanding principal amount of this Note and any accrued and unpaid interest on the Maturity Date. In addition, at the Holder's election, accrued and unpaid interest shall be payable in monthly or quarterly payments at any time after the Effective Date in the manner provided for in Section 1(b). Prepayment of this Note may be made at any time without penalty.

(b) Section 1(b) - PIK Shares. In the event the Company does not prepay this Note in full before the Maturity Date, then the Company shall satisfy its obligation to repay the outstanding principal amount of this Note and any accrued and unpaid interest with: (i) cash; (ii) the issuance and delivery to the Holder of whole shares ("PIK Shares") of common stock of the Company, par value $0.0001 per share ("Common Stock") at the Conversion Price in accordance with the procedures set forth in Section 2; or (iii) any combination of cash and PIK Shares, as determined by the Holder in its sole discretion.

(c) Section 1(f) - Number and Value of PIK Shares. The PIK Shares issued and delivered upon prepayment of any principal, accrued interest or at maturity shall be equal to the number of shares of Common Stock that could have been purchased for the principal and interest obligation (less any cash paid in combination with the PIK Shares) if the shares were valued at the Conversion Price.

2. This November 2017 Amendment shall be deemed part of, but shall take precedence over and supersede any provisions to the contrary contained in the Note. All initial capitalized terms used in this November 2017 Amendment shall have the same meaning as set forth in the Note unless otherwise provided. Except as specifically modified hereby, all of the provisions of the Note, which are not in conflict with the terms of this November 2017 Amendment, shall remain in full force and effect.

SIGNATURE PAGE TO NOTE NOVEMBER 2017 AMENDMENT

IN WITNESS WHEREOF, the parties hereto have executed this November 2017 Amendment as of the date first above written.

DRONE AVIATION HOLDING CORP.

By: /s/ Kendall W. Carpenter
Kendall W. Carpenter
Chief Financial Officer

By: ______________________

Name: ______________________

Title: ______________________

EXHIBIT A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT PROMISSORY NOTE)

The undersigned hereby elects to convert $[__] principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of Drone Aviation Holding Corp., a Nevada corporation (the "Company") according to the conditions of the Convertible Promissory Note Series 2016 of the Company issued on September 29, 2016 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Conversion calculations:

Date to Effect Conversion: ____

Balance of Principal Amount of the Note prior to Conversion: ______________________________

Principal Amount of Note to be Converted: ______________________________________

Number of shares of Common Stock to be Issued: ________________________________

Applicable Conversion Price: ____

Balance of Principal Amount of Note subsequent to Conversion: ___________________________

Address for Delivery: ______________
or
DWAC Instructions:
Broker no: ____________
Account no: ____________

[HOLDER]

By: ______________________________
Name:
Title:

Exhibit 10.35

November 10, 2017

Mr. Reginald Brown
Drone Aviation Corporation
11651 Central Parkway, #118
Jacksonville, FL 32224
VIA EMAIL — rbrown@droneaviationcorp.com

Dear Mr. Brown:

We are pleased that Drone Aviation Corporation has asked Global Security Innovative Strategies, L.L.C. ("GSIS") to support its business development activities. Pursuant to our conversations, this letter ("Agreement") documents the terms of the relationship between GSIS and Drone Aviation Corporation ("DAC" — the CLIENT) for consulting services to be performed by GSIS on behalf of DAC for a period of 6 months effective the 1st of November 2017.

Scope and Purpose. GSIS will advise and consult DAC and its leadership, employees, subcontractors and agents with respect to the following:

1. Business development support for opportunities within the Department of Homeland Security (DHS), U.S. Customs and Border Protection (CBP), and U.S. Border Patrol (USBP).

2. Business development support for opportunities within the U.S. Army.

3. General consulting and business development support for opportunities fostered and advanced by the Kratos Defense & Security Solutions and DAC partnership.

4. General consulting support for DAC's role and activities as part of the Security Center of Excellence in Orlando, FL.

5. Other opportunities mutually agreed to by DAC and GSIS (e.g. commercial opportunity with AT&T).

GSIS shall submit a report with each invoice summarizing activities conducted during the previous month.

Staffing. Commissioner David Aguilar, will be the Engagement Principal for this relationship. GSIS Director of Business Operations Pancho Kinney will manage day-to-day coordination and communication with CLIENT on behalf of GSIS.

Schedule. The initial period of performance will be 6 months, effective from the 1St of November 2017.

Fee.

DAC hereby agrees to pay GSIS a monthly retainer fee of $10,000.00 for the tasks outlined in the Scope and Purpose section. This fee will be revisited after 90 days.

Reasonable and actual expenses incurred by GSIS including transportation, meals, lodging when GSIS personnel travel on behalf of DAC will be reimbursed by CLIENT, provided that each expense over $500.00 shall be subject to preapproval by CLIENT. Any fees and reimbursable expenses shall be paid within 30 calendar days of CLIENT receiving a GSIS invoice for such fees and expenses.

Independent Contractor. The relationship between GSIS and CLIENT is as an independent contractor of CLIENT and nothing in this Agreement will be construed to create a joint partnership, joint venture, or employer-employee relationship. Neither party has the right or authority to make any contract, representation, or binding promise of any nature on behalf of the other party, whether oral or written, without the express written consent of the other party. Each party shall be and remain solely responsible for wages, hours, and all other conditions of employment of its own personnel during the term of this Agreement. Accordingly, GSIS shall be responsible for payment of all taxes arising out of its duties, activities and compensation under this Agreement, including, without limitation, federal, state and local taxes.

Representations, Warranties and Covenants of the Parties. CLIENT and GSIS each severally represents, warrants and covenants, respectively, that:

(a) it has no obligations, legal or otherwise, inconsistent with the terms of this Agreement or with it undertaking a relationship with the other Party;

(b) the performance of all of the terms of this Agreement does not and will not breach any agreement or obligation of any kind made prior to entering into this Agreement;

(c) the performance of all the terms of this Agreement do not and will not violate any applicable law, rule or regulation, including but not limited to any relevant secrecy law, privacy rights, ITAR, anti-spam regulations, embargo and export law, or any proprietary or other right of any third party; and

(d) it has not and will not enter into any agreement (whether oral or written) in conflict with this Agreement.

Moreover, GSIS represents and warrants that: (a) the Services will be provided by GSIS personnel having the appropriate level skills and training; and (b) GSIS will perform all Services on time and in a professional and workmanlike manner.

Confidential Information. As used herein, “Confidential Information” means all information concerning either Party or their affiliates or any of their respective businesses, assets, products, services, employees, suppliers or customers (including students), or of any third party in the possession of such Party or any of its affiliates, that is designated by such Party or any of its affiliates in writing as confidential or proprietary or that is customarily or legally required to be protected from public disclosure or that, given the nature of the information or the circumstances surrounding its disclosure, reasonably should be treated as confidential or proprietary. Notwithstanding the foregoing, information will not be considered to be Confidential Information if the receiving Party can reasonably demonstrate that such information (i) is already, or otherwise becomes, publicly known through no act or omission of such Party or any of its representatives; (ii) is lawfully received by such Party from a third party having the right to disseminate the information without restriction on disclosure; (iii) is independently developed by such Party without use of or reliance on Confidential Information; or (iv) that is already in the possession of such Party before receipt from the other Party, *provided however* the fact that the individual elements of the disclosing Party’s Confidential Information may be in the public domain shall not relieve the receiving Party of its obligations hereunder unless a specific combination or combinations of elements as disclosed in such information is available to the public.

During the Term and for so long as such information remains Confidential Information, the receiving Party shall (i) use and reproduce Confidential Information of the other Party only as permitted under this Agreement or as needed to perform its duties hereunder; (ii) not disclose to any third party, or otherwise permit any third party to have access to, Confidential Information without the other Party's prior written consent, (iii) use at least the same degree of care to protect Confidential Information from unauthorized use and disclosure as it uses to protect its own confidential information of a like nature, but no less than a reasonable degree of care, and (iv) transmit the Confidential Information only to its officers, directors, employees, agents and/or independent contractors/subcontractors who have a specific need to know the Confidential Information for such purposes and who have obligated themselves to hold such Confidential Information in confidence and otherwise agree to be bound by and comply with the terms and provisions of this Agreement to the same extent as if a signatory hereto. Notwithstanding any other provision of this Agreement, the receiving Party may disclose Confidential Information to the extent compelled or required to do so by law or legal process, provided that such Party (i) gives the other Party prompt written notice of an impending disclosure and (ii) if requested by the other Party, provides reasonable assistance to the other Party (at the other Party's expense) in opposing or limiting the compelled or required disclosure. Each Party agrees to return or destroy all Confidential Information provided by the other Party upon written request by the other Party. The provisions of this paragraph shall survive the termination of this Agreement.

Mutual Indemnity. Each party shall indemnify and hold harmless the other, including its respective parent, subsidiaries and all of their respective employees, officers, directors, proprietors, partners, representatives, shareholders, agents and attorneys, against all claims, liabilities, costs, damages, losses, lost profits, reasonable attorneys' fees and other fees and expenses to the extent proximately caused by the negligence or willful acts or willful omissions of the indemnifying party, its directors, officers, managers, employees, contractors, agents and representatives arising out of or related to the performance of the terms of this Agreement or any bodily injury or death of any person or damage to tangible personal property occurring at such location in connection with the performance under this Agreement. The provisions of this paragraph shall survive the termination of this Agreement.

Governmental Compliance and Employee Restrictions. In connection with this Agreement, GSIS will take actions to comply, and CLIENT will not take action to cause GSIS or request GSIS not to comply, with any applicable United States post-employment restrictions on former governmental employees. GSIS hereby notifies CLIENT that the following individuals are subject to such post-employment restrictions: Mark Sullivan, David Aguilar, Noah Kroloff, Paul Benda, John Halinski, Jill Vaughan and Kelly Hoggan.

Anti-Corruption Laws. Each party represents and warrants and covenants that, in connection with this Agreement, neither party nor its affiliates nor any director, officer, agent, employee or other person associated with or acting on behalf of such party or its affiliates, in connection with the Services and Work Product furnished under this Agreement or the performance of this Agreement, (i) has used or will use any funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) has made or will make any direct or indirect unlawful payment to any foreign or domestic government official or employee; (iii) has violated or is in violation of any provision of any Anti-Corruption Laws; or (iv) has made or will make any bribe, rebate, payoff, influence payment, kickback or other unlawful payment. “Anti-Corruption Laws” means the United States Foreign Corrupt Practices Act and the UK Bribery Act 2010 and any other similar laws.

United States Export Control Laws. CLIENT represents and warrants that no services or deliverables furnished under this Agreement will be exported from the United States except in compliance with (1) all applicable U.S. export and re-export laws and regulations, including, the Export Administration Act of 1979, the International Emergency Economic Powers Act, the Trading with the Enemy Act, the Arms Export Control Act, and their respective regulations, including but not limited to: the Export Administration Regulations, the Office of Foreign Asset Control Regulations and the International Traffic in Arms Regulations (collectively, these laws and regulations are referred to as “U.S. Export Control Laws”), and (2) all other U.S. or non-U.S. Export Control Laws governing the conduct of the parties under this Agreement.

Compliance with Other United States Laws. CLIENT represents and warrants that, (i) neither CLIENT nor its affiliates are currently subject to any sanctions administered by the Office of Foreign Assets Control of the United States Department of the Treasury or any other United States governmental entity and no action, claim, suit or proceeding by or before any U.S. governmental entity involving CLIENT or any of its subsidiaries with respect to any such sanctions is pending or threatened, and (ii) no services or deliverables furnished under this Agreement will be used or transferred to any person currently subject to any sanctions administered by the Office of Foreign Assets Control of the United States Department of the Treasury or any other United States governmental entity.

Termination for Convenience. Either party may terminate or renew this Agreement at any time, for any reason or no reason, upon at least thirty (30) days written notice to the other party, whereupon the parties shall be released from all further obligations under this Agreement except for those that expressly survive its termination. Upon the expiration or earlier termination of this Agreement for any reason: (i) GSIS will promptly deliver to CLIENT all GSIS work products, including all work in progress or any work product not previously delivered; (ii) each receiving party will promptly deliver to the other party all Confidential Information it has received and which remains in such receiving party’s possession or control; and (iii) CLIENT will pay GSIS all accrued but unpaid fees and reimbursable expenses due and payable to GSIS. Should this Agreement be terminated before the end of a calendar month, the fee due and payable to GSIS shall be prorated in accordance with the days elapsed prior to the date of termination in that month.

Termination for Breach. Either party may terminate this Agreement if the other party breaches any material term of this Agreement and fails to cure such breach within fifteen (15) days following receipt of written notice thereof from the non-breaching party.

Expenses. Except as otherwise expressly provided in this Agreement, each Party shall bear its own costs and expenses incurred in connection with the preparation, execution and performance of this Agreement, including all fees and expenses of agents, representatives, financial advisors, legal counsel, and accountants.

Assignment. GSIS shall not assign or subcontract this Agreement without the prior written consent of CLIENT. GSIS shall be responsible for the compliance of its subcontractors with the terms of this Agreement including, without limitation, all confidentiality obligations.

Notice. All claims, instructions, consents, designations, notices, waivers, and other communications in connection with this Agreement ("Notifications") shall be in writing. Such Notifications shall be deemed properly made (a) when received if delivered personally, (b) if delivered by facsimile transmission when the appropriate telecopy confirmation is received; (c) upon the receipt of the electronic transmission by the server of the recipient when transmitted by electronic mail, or (d) within five (5) days after deposit with a nationally recognized express delivery service, in each case when transmitted to a Party at the following address or location:

If to CLIENT:
the address indicated on the execution page

If to GSIS:
the address indicated on the execution page

Each Party may send any Notifications to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail), but no such notice, request, demand, claim, or other communication will be deemed to have been duly given unless and until it actually is received by the intended recipient. Each Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other notice in the manner herein set forth.

Governing Law. This Agreement and any dispute arising under or in connection with this Agreement, including but not limited to any action in contract or tort, shall be governed by the laws of the State of Arizona, without regard to its conflict of laws principles. If any proceeding is brought for enforcement, interpretation, modification or termination of this Agreement, the prevailing Party shall be entitled to recover its reasonable attorneys' fees and costs incurred in that proceeding, in addition to any other costs or relief to which it may be entitled.

Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof; provided that if any provision of this Agreement, as applied to any Party or to any circumstance, is adjudged by a governmental body, arbitrator, or mediator not to be enforceable in accordance with its terms, the Parties agree that the governmental body, arbitrator, or mediator making such determination shall have the power to modify the provision in a manner consistent with its objectives such that it is enforceable, and/or to delete specific words or phrases, and in its reduced form, such provision will then be enforceable and will be enforced to the maximum extent possible given the intent of the parties hereto.

Entire Agreement. This Agreement supersedes all prior oral and written representations, communications and agreements between the Parties and constitutes the entire understanding of the parties regarding the subject matter of this Agreement. This Agreement may be changed, modified or amended from time to time only by written agreement of both Parties executed by their authorized representatives. This Agreement may be executed in one or more counterparts and may be executed by original or facsimile signature, all of which taken together shall constitute one and the same original Agreement between the parties.

Signatures. This Agreement and any written notice, consent, agreement or document provided for in this Agreement shall be deemed signed and/or bearing the original signature of a given person, if such person's name and/or adopted signature is placed by such person on the document whether by manual signature, electronic transmission or facsimile transmission by the person. Delivery of a copy of this Agreement or such other document bearing an original signature by facsimile transmission or a scanned image of the original signature, by electronic mail in "portable document format" (".pdf') form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

Counterparts. This Agreement and any documents pursuant hereto may be separately executed by the Parties in two (2) or more counterparts and all such counterparts shall be deemed an original, but all of which together shall constitute one and the same instrument and will be binding on the Parties as if they had originally signed one copy of the Agreement.

[Signature page follows]

SIGNATURE PAGE
DRONE AVIATION CORPORATION – GSIS CONSULTING AGREEMENT

IN WITNESS WHEREOF, the Parties by their authorized representatives have executed this Agreement on the dates provided below.

Global Security & Innovative Strategies, L.L.C.,

By: NOAH KROLOFF
/s/ NOAH KROLOFF
Its: Principal
Dated: November 10, 2017

Address: 1401 H Street NW, Suite 875
Washington, D.C. 20005

Drone Aviation Corporation

By: ______________________________

____
Its ______________________________
Dated: ______________________________

Address: 11651 Central Parkway, #118
Jacksonville, FL 32224

[Signature Page to Letter Agreement]

EXHIBIT 31.1

CERTIFICATION

I, Jay Nussbaum, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Drone Aviation Holding Corp.;

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

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

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

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

b) designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over the financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jay Nussbaum

Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2017

EXHIBIT 31.2

CERTIFICATION

I, Kendall Carpenter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Drone Aviation Holding Corp.;

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

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

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

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

b) designed such internal control over financing reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over the financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kendall Carpenter

Chief Financial Officer
(Principal Financial Officer)

Date: November 13, 2017

EXHIBIT 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Drone Aviation Holding Corp. (the “Company”) for the quarterly period ended September 30, 2017 as filed with the Securities and Exchange Commission (the “Report”), I, Jay H. Nussbaum, Chief Executive Officer and I, Kendall Carpenter, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

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

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

Date: November 13, 2017

/s/ Jay H. Nussbaum
Jay H. Nussbaum
Chief Executive Officer

Date: November 13, 2017

/s/ Kendall Carpenter
Kendall Carpenter
Chief Financial Officer