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

FORM 10-Q

 $(Mark\ One) \\ \boxtimes \ QUARTERLY\ REPORT\ PURSUANT\ TO\ SECTION\ 13\ OR\ 15(d)\ OF\ THE\ SECURITIES\ EXCHANGE\ ACT\ OF\ 1934$

For the Quarterly Period Ended March 31, 2016

0	or
\Box TRANSITION REPORT PURSUANT TO SECTION 13 (OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period fr	rom to
Commission file no	umber: 333-150332
	N HOLDING CORP. 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 #1 (Address of principal exe	218, Jacksonville, FL 32224 ecutive offices) (zip code)
<u>(904) 8.</u>	34-4400
(Registrant's telephone nu	mber, including area code)
	required to be filed by Section 13 or 15(d) of the Securities Exchange riod that the registrant was required to file such reports), and (2) has No \boxtimes
Note: The Company is a voluntary filer but has filed all reports it Securities Exchange Act of 1934 during the preceding 12 months i	would have been required to be filed by Section 13 or 15(d) of the if it was a mandatory filer.
	nically and posted on its corporate Web site, if any, every Interactive of Regulation S-T (\S 232.405 of this chapter) during the preceding 12 ubmit and post such files). Yes \boxtimes No \square
	iler, an accelerated filer, a non-accelerated filer, or a smaller reporting rated filer," and "smaller reporting company" in Rule 12b-2 of the
Large accelerated filer □ Non-accelerated filer □ (Do not check if a smaller reporting company)	Accelerated filer □ Smaller reporting company ⊠
Indicate by check mark whether the registrant is a shell company (as o	lefined in Rule 12b-2 of the Exchange Act). Yes □ No ☒.
As of April 29, 2016 there were 6,861,553 shares of the registrant's co	ommon stock issued and outstanding.

DRONE AVIATION HOLDING CORP.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DRONE AVIATION HOLDING CORP.

<u>Interim Unaudited Consolidated Financial Statements</u>

For the Period Ended March 31, 2016

DRONE AVIATION HOLDING CORP. CONSOLIDATED BALANCE SHEETS

	3/31/2016 (Unaudited)			12/31/2015
ASSETS				
CURRENT ASSETS:	Φ.	1 7 4 1 0 4 2	Φ	2 (50 524
Cash	\$	1,741,943	\$	2,659,734
Accounts receivable - trade		469,933		83,288
Inventory, net Prepaid expenses and deposits		146,517		118,795
Total current assets		54,593	_	55,624
	_	2,412,986	_	2,917,441
PROPERTY AND EQUIPMENT, at cost:		168,932		163,291
Less - accumulated depreciation		(35,122)		(26,995)
Net property and equipment		133,810		136,296
OTHER ASSETS:				
Goodwill		99,799		99,799
Intangible assets		1,460,000		1,460,000
Total other assets		1,559,799		1,559,799
TOTAL ASSETS	\$	4,106,595	\$	4,613,536
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable - trade and accrued liabilities	\$	272,511	\$	242,257
Accounts payable due to related party		-		6,000
Deferred revenue		-		7,896
Note Payable - Oklahoma Technology Commercialization Center- Current		110,000		110,000
Total current liabilities		382,511		366,153
TOTAL LIABILITIES	\$	382,511	\$	366,153
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY (DEFICIT):				
Convertible Preferred stock, Series A, \$.0001 par value; authorized 595,000 shares;	\$	10	\$	10
100,100 and 101,100 shares issued and outstanding, at March 31, 2016				
and December 31, 2015, respectively				
Convertible Preferred stock, Series B, \$.0001 par value; authorized 324,671 shares;		_		_
0 shares issued and outstanding, at March 31, 2016				
and December 31, 2015, respectively				
Convertible Preferred stock, Series B-1, \$.0001 par value; authorized 156,231 shares;		-		-
0 shares issued and outstanding, at March 31, 2016				
and December 31, 2015, respectively				
Convertible Preferred stock, Series C, \$.0001 par value; authorized 355,000 shares;		-		7
0 and 73,387 shares issued and outstanding, at March 31, 2016				
and December 31, 2015, respectively				
Convertible Preferred stock, Series D, \$.0001 par value; authorized 36,050,000 shares;		-		200
0 and 2,000,000 shares issued and outstanding, at March 31, 2016				
and December 31, 2015, respectively				
Convertible Preferred stock, Series E, \$.0001 par value; authorized 5,400,000 shares;		-		-
0 shares issued and outstanding, at March 31, 2016				
and December 31, 2015, respectively				
Convertible Preferred stock, Series F, \$.0001 par value; authorized 3,300,999 shares;		-		200
0 and 1,999,998 shares issued and outstanding, at March 31, 2016				
and December 31, 2015, respectively				
Convertible Preferred stock, Series G, \$.0001 par value; authorized 8,000,000 shares;				200
0 and 2,000,0000 shares issued and outstanding, at March 31, 2016		-		200
and December 31, 2015, respectively				
Common stock, \$.0001 par value; authorized 300,000,000 shares;		546		513
5,461,553 and 5,125,585 shares issued and outstanding, at March 31, 2016		340		313
and December 31, 2015, respectively				
Additional paid-in capital		16,103,314		15,385,523
Retained Earning (Deficit)		(12,379,786)		(11,139,270)
Total stockholders' equity	_			
	<u></u>	3,724,084	Φ.	4,247,383
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	4,106,595	\$	4,613,536

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

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

	For the Quarters Ended			s Ended
	March 31 2016		N	March 31 2015
Revenues	\$	443,450	\$	15,206
Cost of good sold		133,886		8,117
Gross profit		309,564		7,089
General and administrative expense	1	1,549,940		941,107
Loss from operations	(1	1,240,376)		(934,018)
Other expense				
Interest expense		(140)		(133)
Total other expense		(140)	_	(133)
NET LOSS	(1	1,240,516)	_	(934,151)
Weighted average number of common shares outstanding - basic and diluted	5	5,417,250	_	1,010,081
Basic and diluted net loss per share	\$	(0.23)	\$	(0.92)
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 Quarters Ended March 31, OPERATING ACTIVITIES:		3/31/2016	_3	/31/2015
Net loss	\$	(1,240,516)	\$	(934,151)
Adjustments to reconcile net loss to net cash				
used in operating activities:				
Depreciation		8,127		1,966
Amortization		_		11,978
Stock based compensation		717,217		308,500
Changes in current assets and liabilities:		(206.645)		20.51.4
Accounts receivable		(386,645)		28,714
Inventory Prepaid expenses and deposits		(27,722)		(13,670)
Accounts payable and accrued expense		1,031 30,254		(18,609) 54,150
Accounts payable due to related party		(6,000)		(2,181)
Deferred revenue		(7,896)		(2,101)
Deferred revenue	_	(7,890)	_	
Net cash used in operating activities		(912,150)		(563,303)
INVESTING ACTIVITIES:				
Cash paid on furniture and equipment		(5,641)		(12,966)
Cash paid on furniture and equipment	_	(3,041)	_	(12,900)
Net cash used in investing activities	_	(5,641)	_	(12,966)
NET DECREASE IN CASH		(917,791)		(576,269)
CASH, beginning of period		2,659,734		1,369,896
CASH, end of period	S	1,741,943	\$	793,627
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the quarters ended March 31:				
Interest	\$	140	\$	133
Noncash investing and financing activities for the quarters ended March 31:				
Leasehold improvements addition in accounts payable	\$	_	\$	10,348
Conversion of Series A preferred stock to common stock	\$		\$	22
Conversion of Series C preferred stock to common stock	\$	18	\$	_
Conversion of Series D preferred stock to common stock	\$		\$	
Conversion of Series F preferred stock to common stock	\$	5	\$	_
Conversion of Series G preferred stock to common stock	\$	5	\$	

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

Drone Aviation Holding Corp.

Notes to Interim Unaudited Consolidated Financial Statements

For the Period Ended March 31, 2016

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements and do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete 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 financial statements as of December 31, 2015 have been audited by an independent registered public accounting firm. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 10K for the calendar year ended December 31, 2015.

2. RELATED PARTY TRANSACTIONS

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.

The accounts payable due to related party at December 31, 2015 was comprised of \$6,000 director fees which were paid in January 2016.

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. The Company regularly reviews inventory quantities on hand, future purchase commitments with its supplies, and the estimated utility of its inventory. If the review indicates a reduction in utility below carrying value, inventory is reduced to a new cost basis through a charge to cost of goods sold. Allowance for slow moving items decreased \$15,383 due to sale of aerostat launcher. Inventory consists of the following at March 31, 2016 and December 31, 2015:

	M	larch 31, 2016	ecember 31, 2015
Raw materials inventory	\$	25,021	\$ 26,358
Work in process inventory		11,919	3,817
Finished goods inventory		112,783	107,209
Less valuation allowance		(3,206)	(18,589)
	\$	146,517	\$ 118,795

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 three months ended March 31, 2016, the Company invested \$3,719 in computers and electronics and \$1,922 in office furniture and fixtures. Depreciation expense was \$8,127 and \$1,966 for the three months ended March 31, 2016 and 2015, respectively. Property and equipment consists of the following at March 31, 2016 and December 31, 2015:

	N.	Iarch 31,	D_0	ecember
		2016	3	1, 2015
Shop Machinery and equipment	\$	80,889	\$	80,889
Computers and electronics		32,630		28,911
Office furniture and fixtures		35,899		33,977
Leasehold improvements		19,514		19,514
		168,932		163,291
Less - accumulated depreciation		(35,122)		(26,995)
	\$	133,810	\$	136,296

5. <u>INTANGIBLE ASSETS</u>

On July 20, 2015, the Company entered into an agreement to acquire exclusive commercial software licenses for the "GUST" (Georgia Tech UAV Simulation Tool) autopilot system from Adaptive Flight, Inc. Through the purchase of the assets of privately held Adaptive Flight Inc. (AFI), the Company is assuming the transferable licenses from the Georgia Tech Research Corporation which include flight simulation tools and fault tolerant flight control algorithms. In addition, the company acquired AFI's dedicated flight computer and additional related hardware and airframes. 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 the date of agreement, to be held in escrow.

The Company has a milestone of twelve months to complete a technology Integration Plan, the non-completion of which may result in the return of the purchased assets and termination of the Company's obligations to release the escrow cash and shares. Additional milestones include exclusive, no-cost and perpetual licenses to all contributing intellectual property included or related to the purchased assets. As such time as all milestones are met, one-half of the escrow shares will 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 have been met, the remaining escrow shares will be released to AFI; but if all milestones have not been met, the escrow cash and escrow shares will be released to the Company and the purchased assets will be returned to AFI. According to the terms of the Escrow Agreement, if the escrow share value is 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. At March 31, 2016, the value of the 150,000 shares was \$3.00 per share, or \$450,000. The additional liability was reduced to \$150,000 for the cost of 50,000 shares at \$3.00 per share. The Company recorded the \$11,500 reduction in the additional liability through profit and loss statement at March 31, 2016. No amortization expense was recorded during the three months ended March 31, 2016 since the Company is still in the process of integration and no revenue has been generated from the asset.

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. SHAREHOLDERS' EQUITY

On October 29, 2015 a 1:40 reverse split of the Company stock occurred and the effect has been applied retroactively for disclosure purposes.

The Company issued a total of 335,968 shares of common stock during the three months ended March 31, 2016, as described below:

The Company issued 2,500 shares of common stock pursuant to conversions of an aggregate of 1,000 shares of Series A preferred stock.

The Company issued 183,468 shares of common stock pursuant to conversions of an aggregate of 73,387 shares of Series C preferred stock

The Company issued 50,000 shares of common stock pursuant to conversions of an aggregate of 2,000,000 shares of Series D preferred stock

The Company issued 50,000 shares of common stock pursuant to conversions of an aggregate of 1,999,998 shares of Series F preferred stock.

The Company issued 50,000 shares of common stock pursuant to conversions of an aggregate of 2,000,000 shares of Series G preferred stock

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. The Company recognized a total of \$67,500 expense for the pro rata portion of shares earned by the Chairman during the three months ended March 31, 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. The shares will vest upon consummation of a \$4,000,000 equity or debt financing provided that the holder remains engaged by the Company through the vesting date. Stock based compensation of \$604,440 was recognized during the three months ended March 31, 2016 based on management's estimate that the shares will be fully vested by February 4, 2016 when the Board deemed vesting occurred with the issuance of \$4,000,000 in common stock on November 20, 2015.

7. PREFERRED STOCK

On October 29, 2015 a 1:40 reverse split of the Company stock occurred and the effect has been applied retroactively for disclosure purposes.

All of the preferred stock of the Company is convertible into common shares. The Series A and Series C stock conversion ratio is 1 to 2.5 common shares. The Series B, B-1, D, E, F and G stock conversion ratio is 1 to 0.025 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.

Between January 1 and March 31, 2016, one investor in Series A preferred stock converted a total of 1,000 shares of Series A for an aggregate of 2,500 shares of restricted common stock in accordance with their conversion rights which includes a blocker with respect to individual ownership percentages. During the same period, two investors in Series C preferred stock converted a total of 73,387 shares of Series C for an aggregate of 183,468 shares of restricted common stock, one investor in Series D preferred stock converted a total of 2,000,000 shares of Series D for an aggregate of 50,000 shares of restricted common stock, one investor in Series F preferred stock converted a total of 1,999,998 shares of Series F for an aggregate of 50,000 shares of restricted common stock, and two investors in Series G preferred stock converted a total of 2,000,000 shares of Series G for an aggregate of 50,000 shares of restricted common stock, all in accordance with their conversion rights which includes a blocker with respect to individual ownership percentages.

8. EMPLOYEE STOCK OPTIONS

On October 29, 2015 a 1:40 reverse split of the Company stock occurred and the effect has been applied retroactively for disclosure purposes.

During 2015, the Company granted 842,500 common stock options to employees and a director for service provided. Of these, 250,000 options were immediately vested and were granted with an exercise price of \$6.00 and the expiration date is May 18, 2018. Another 105,000 options were immediately vested and were granted with an exercise price of \$5.00 and the expiration date of December 10, 2018. Another 250,000 options vest over two years or upon the up listing of the Company's common stock and were granted with an exercise price of \$6.00 and the expiration date is June 1, 2018. These 250,000 options were surrendered and cancelled on September 4, 2015. A director received two options. The first was for 75,000 shares vesting over two years and was granted with an exercise price of \$10.00 and the expiration date is June 1, 2018. The second was for 125,000 shares with vesting tied to performance and was granted

with an exercise price of \$10.00 and the expiration date is June 1, 2018. These two director options were surrendered and cancelled on September 4, 2015. Stock based compensation was reversed for costs previously recognized on the total 450,000 surrendered and cancelled unvested options. Another option for 37,500 shares vesting over three years was granted with an exercise price of \$10.80 and the expiration date is May 4, 2019.

The Company used the Black-Scholes option pricing model to estimate the fair value on the date of grant of the 37,500 stock-based awards that continue to vest during the three months ended March 31, 2016.

The following table summarizes the assumptions used to estimate the fair value of the 37,500 stock options granted during 2015 on the date of grant:

	2015
Expected dividend yield	0%
Expected volatility	129%
Risk-free interest rate	0.79 - 1.05%
	2.43 - 3.43
Expected life of options	years

Under the Black-Scholes option price model, fair value of the options granted is estimated at \$293,954 on the date of grant. During the three months ended March 31, 2016, \$43,952 compensation expense was recognized.

The following table represents stock option activity as of and for the period ended March 31, 2016:

	Number of Options	Weighted Average Exercise Price	Contractual Life in Years	Intrinsic Value
Outstanding – December 31, 2015	392,500	\$ 6.19	\$ 2.62	
Exercisable – December 31, 2015	355,000	\$ 5.70	\$ 2.55	\$ 0.00
Granted	_	\$ 0.00		
Exercised or Vested	_	\$ 0.00		
Cancelled or Expired	_	\$ 0.00		
Outstanding – March 31, 2016	392,500	\$ 6.19	2.37	
Exercisable – March 31, 2016	355,000	\$ 5.70	2.30	\$ 0.00

9. WARRANTS

On October 29, 2015 a 1:40 reverse split of the Company stock occurred and the effect has been applied retroactively for disclosure purposes.

For the year 2015, 52,500 common stock purchase warrants were granted to two consultants and a vendor for service provided. One consultant was granted 25,000 warrants with exercise price of \$10.00, vesting over two years and the expiration date is June 16, 2018. The other consultant was granted 12,500 warrants with exercise price of \$10.00, vesting over one year and the expiration date is June 25, 2018. These same two consultants and the vendor each received 5,000 warrants with exercise price of \$5.00, immediately vested and an expiration date of December 10, 2018.

The Company used the Black-Scholes warrant pricing model to estimate the fair value on the re-measurement date as of March 31, 2016 of the 30,000 warrants that continue to vest during the three months ended March 31, 2016.

The following table summarizes the assumptions used to estimate the fair value of the 30,000 warrants granted during 2015 as of March 31, 2016:

	March 31, 2016
Expected dividend yield	0%
Expected volatility	116%
Risk-free interest rate	0.73%
	2.19 - 2.24
Expected life of warrants	years

Under the Black-Scholes warrant price model, fair value of the warrants granted during 2015 is estimated at \$32,995 as of March 31, 2016. During the three months ended March 31, 2016, \$1,325 compensation expense was recognized.

The following table represents warrant activity as of and for the period ended March 31, 2016:

	Number of Warrants	Weighted Average Exercise Price	Contractual Life in Years	Intrinsic Value
Outstanding – December 31, 2015	134,209	\$ 23.87	3.66	·
Exercisable – December 31, 2015	104,209	\$ 27.87	4.01	\$ 0.00
Granted	0	\$.00		
Forfeited or Expired	(80)	\$ 404.49		
Outstanding – March 31, 2016	134,129	\$ 23.65	3.42	
Exercisable – March 31, 2016	104,129	\$ 27.58	3.77	\$ 0.00

10. OKLAHOMA TECHNOLOGY COMMERCIALIZATION CENTER

At the time of the April 30, 2014 merger between MacroSolve, Inc. and Drone Aviation Holding Corp., MacroSolve had an \$110,000 balance on its refundable award from the State of Oklahoma Technology Business Finance Program. The Company has not made any reductions in the award so it is in default. The parties are discussing a release from the debt that is unrelated to the current operations.

11. COMMITMENTS AND CONTINGENCIES

On January 30, 2012, MacroSolve, Inc. filed suit against Newegg, Inc. in the United States District Court Eastern District of Texas alleging infringement of one or more claims of United States Patent #7,822,816. On March 7, 2014, the United States Patent and Trademark Office ("USPTO") sent MacroSolve, Inc. an office action related to an *ex parte* reexamination of the '816 patent, which rejected all the claims in the patent (the USPTO Office Action"). As a result of the USPTO Office Action, on March 31, 2014, the Company dismissed its patent enforcement case against Newegg Inc. with prejudice. On April 6, 2015, the court denied the motion by Newegg for recovery of defendant legal fees of approximately \$400,000 from the Company. On April 24, 2015, Newegg filed a Notice of Appeal with the United States Court of Appeals for the Federal Circuit. On August 19, 2015, the Company filed a Brief of Appellee MacroSolve, Inc. with the United States Court of Appeals for the Federal Circuit and on September 8, 2015, Newegg filed a Reply Brief. Oral arguments occurred on February 1, 2016. The Federal Circuit decision affirming the district court's denial of fees came down on February 9, 2016 in the form of a Rule 36 ('summary affirmance") per curiam decision. Newegg has ninety days to file a petition for the U.S. Supreme Court to review. The Company has prevailed in this matter but should the case be accepted by the Supreme Court and the Company not prevail in that venue, the judgment would be borne by the former MacroSolve directors who sold their loans on April 17, 2014.

12. <u>SUBSEQUENT EVENTS</u>

On April 27, 2016, the Board of Directors appointed Chairman Jay H. Nussbaum to the position of Chief Executive Officer. Kevin Hess resigned as Chief Executive Officer and was appointed to the position of Chief Technology Officer.

On April 27, 2016, the Board of Directors increased from four directors to five directors. Lt. General Michael T. Flynn (Retired) was appointed as an independent director and Vice Chairman of the Board for a two year term. General Flynn has also been appointed to the Strategic Advisory Board. The Company issued 100,000 shares of restricted common stock with monthly vesting provisions for twenty-four months services pursuant to a Director Agreement. The Vice Chairman can earn a pro rata portion of the shares, calculated on a twenty-four month vesting period, in the event the Vice Chairman relinquishes his position and board seat prior to the expiration date of the Director Agreement.

On April 27, 2016, the Company issued 150,000 shares of restricted common stock with monthly vesting provisions to two members of its Strategic Advisory Board for 12 month's 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.

On April 27, 2016, the Company issued 1,150,000 shares of restricted common stock outside of the 2015 Equity Plan to five management employees pursuant to stock award agreements. The shares will vest upon consummation of a significant equity and/or debt financing at least equal to the November 2015 financing which raised \$3,725,000 provided that the holder remains engaged by the Company through the vesting date.

On April 27, 2016, the Company issued 110,000 options and warrants from the 2015 Equity Plan to six employees and consultants for services provided. These options were immediately vested and were granted with an exercise price of \$2.91 and the expiration date of April 27, 2019.

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 purely 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" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "would," "expect," "intend," "could," "estimate," "should," "anticipate," or "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, 2015 filed with the Securities and Exchange Commission on March 4, 2016.

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

Growth and percentage comparisons made herein generally refer to the three months ended March 31, 2016 compared with the three months ended March 31, 2015 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 are focused on the business of the design, development, marketing, and sale of lighter-than air ("LTA") advanced aersostats, tethered drones, and land-based intelligence, surveillance, and reconnaissance ("ISR") solutions. We, through our wholly owned subsidiary, Lighter Than Air Systems Corp. ("LTAS"), which was acquired on June 3, 2014 upon consummation of a Share Exchange with Drone Aviation Corp., a wholly-owned subsidiary which was merged into Drone Aviation on March 26, 2015, are focused on the development of tethered aerostats known as the Winch Aerostat Small Platform ("WASP"), as well as certain other tethered drone products including the WATT electric tethered drone launched on March 2, 2015. The WATT is our first model of a new line of commercial-grade electric tethered drones designed to provide secure and reliable aerial monitoring for extended durations while being tethered to the ground via a high strength armored tether.

Recent Transactions

On March 30, 2016, we announced a contract award from Defense Department Prime Contractor BAE Systems for WASP tactical aerostat upgrades valued at \$194,000.
On March 7, 2016, we announced a contract award from the Department of Defense for WASP tactical aerostat systems valued in excess of \$780,000.
On February 2, 2016, we announced a follow-up order from the United States Environmental Protection Agency (EPA) for an aerostat and related airborne equipment and operator training.
On January 25, 2016, we announced a partnership for sales, operating, training and support of the WATT-200 tethered drone with Measure UAS, Inc. Measure has been granted a 333 exemption by the Federal Aviation Administration (FAA) to operate the WATT-200 for their Drone as a Service operations.
On January 11, 2016 we announced a joint sales partnership with Skyfire Consulting, a drone services and consulting company serving first responders nationwide. The companies presented the WATT line of tethered drones at the annual Fire-Rescue East 2016 Conference in Daytona Beach, Florida in January 2016.
On January 6, 2016 our common stock commenced trading on the OTCQX Market.
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Results of Operations

Quarter Ended March 31, 2016 compared to Quarter Ended March 31, 2015

<u>Net Revenues</u>: Net revenues of \$443,000 for the quarter ended March 31, 2016 increased \$428,000 or 2,816% from \$15,000 for the same period in 2015. Sources of revenue were derived primarily from aerostat products and accessories. In the first quarter of 2015, the Company primarily focused resources on continued development of the WATT product line; a focus which continues through the first quarter of 2016.

Cost of Goods Sold and Gross Profit: Cost of goods sold of \$134,000 for the quarter ended March 31, 2016 increased \$126,000 or 1,549% from \$8,000 for the same period in 2015. Costs include material, parts and labor associated with the sale of aerostats products and accessories. The resulting gross profit for the quarter ended March 31, 2016 of \$310,000 was an increase of \$303,000 or 4,267% from the \$7,000 gross profit for the same quarter of 2015. Gross profit margins were 70% and 47% for the quarters ended March 31, 2016 and 2015, respectively.

Operating Expenses: Operating expenses primarily consist of general and administrative expenses. General and administrative expenses increased \$609,000 or 65%, to \$1,550,000 in the quarter ended March 31, 2016 from \$941,000 for the same period in 2015. Approximately \$650,000 of the increase is attributable to non-cash stock compensation expense related to 2015 stock grants which vested in 2016. Research and development costs increased \$74,000, salaries and benefits increased \$93,000, marketing and promotions increased \$49,000, rent and utilities increased \$7,000, accounting and professional fees decreased (\$15,000), financial advisory costs decreased (\$21,000) and costs associated with the Board of Directors and Strategic Advisory Board decreased (\$227,000).

<u>Loss from Operations</u>: Loss from operations for the quarter ended March 31, 2016 increased \$306,000 or 33%, to \$1,240,000 from loss from operations of \$934,000 in 2014, primarily due to factors discussed above.

Other Income and Expense: Total other expenses related to interest expense of \$140 increased \$7 in the first quarter of 2016 from \$133 in 2014.

Net Loss: Net loss increased \$306,000 or 33% to \$1,240,000 for the first quarter of 2016 from net loss of \$934,000 in 2015. This increased loss is due to factors discussed above.

Liquidity and Capital Resources

As of March 31, 2016, the Company had total current assets of \$2,413,000 and total current liabilities of \$383,000 for working capital of \$2,030,000. As of March 31, 2016, the Company had cash and cash equivalents of \$1,742,000 and an accumulated deficit of \$12,380,000.

We have historically financed our operations through operating revenues and sales of equity securities to accredited investors. While we currently believe we have sufficient capital and access to capital to continue our operations for the next 12 months, we may incur significant expenses in implementing our growth plan. We could deplete our cash and working capital more rapidly than expected, which could result in our need to curtail our operations.

Sources and Uses of Cash

		T	Three Months Ended March 31,		
		_	2016	2015	
Cash flows (used in) operating activities		\$	(912,150) \$	(563,303)	
Cash flows (used in) investing activities			(5,651)	(12,966)	
Cash flows provided by financing activities			-	-	
Net (decrease) in cash and cash equivalents		\$	(917,791)	(576,269)	
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Operating Activities

Net cash used in operating activities during the three months ended March 31, 2016 was approximately \$912,000, which was a decrease in operating cash flow of approximately \$349,000 from \$563,000 net cash used in operating activities during the same three months of 2015. The net loss of approximately (\$1,241,000) for the first three months of 2016 was \$306,000 greater than the same period of 2015, which was approximately (\$934,000). In addition to the increased net loss, the Company recognized approximately \$409,000 more non-cash stock based compensation in the first three months of 2016 than the previous year, offset by a \$415,000 increase in accounts receivable as a result of the increased sales activity in the first quarter of 2016.

Investing Activities:

Net cash used in investing activities was \$6,000 and \$13,000 during the three months ended March 31, 2016 and 2015, respectively, which was related to purchase of furniture and equipment.

Financing Activities:

There were no financing activities during the first quarters of either 2016 or 2015.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

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, 2015 filed with the Securities and Exchange Commission on March 4, 2016. As disclosed in Note 1, the preparation of 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:

Trade accounts receivable consist of amounts due from the sale of tethered aerostats, accessories, spare parts and delivery and installation of aerostats. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days of receipt of the invoice. The Company provides 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 March 31, 2016 and December 31, 2015, the Company deems \$0 and \$0 as uncollectible, respectively.

Revenue Recognition and Unearned Income:

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 their associated costs of sales as work in process inventory. There is a balance of \$470,000 in accounts receivable at March 31, 2016 for sales on account.

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.

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 Securities Exchange Act of 1934 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.

Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2016, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(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 March 31, 2016 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.

MacroSolve, Inc. v Newegg Inc. (U.S.D.C. E.D. TX) case No. 6:12-cv-46-MSS-KNM

On January 30, 2012, MacroSolve, Inc. filed suit against Newegg, Inc. in the United States District Court Eastern District of Texas alleging infringement of one or more claims of United States Patent #7,822,816. On March 7, 2014, the United States Patent and Trademark Office ("USPTO") sent MacroSolve, Inc. an office action related to an *ex parte* reexamination of the '816 patent, which rejected all the claims in the patent (the "USPTO Office Action"). As a result of the USPTO Office Action, on March 31, 2014, the Company dismissed its patent enforcement case against Newegg Inc. with prejudice. On April 6, 2015, the court denied the motion by Newegg for recovery of defendant legal fees of approximately \$400,000 from the Company. On April 24, 2015, Newegg filed a Notice of Appeal with the United States Court of Appeals for the Federal Circuit. On August 19, 2015, the Company filed a Brief of Appellee MacroSolve, Inc. with the United States Court of Appeals for the Federal Circuit and on September 8, 2015, Newegg filed a Reply Brief. Oral arguments occurred on February 1, 2016. The Federal Circuit decision affirming the district court's denial of fees came down on February 9, 2016 in the form of a Rule 36 ('summary affirmance") per curiam decision. Newegg has ninety days to file a petition for the U.S. Supreme Court to review. The Company has prevailed in this matter but should the case be accepted by the Supreme Court and the Company not prevail in that venue, the judgment would be borne by the former MacroSolve directors who sold their loans on April 17, 2014.

Other than as set forth above, there are no material claims, actions, suits, proceedings, inquiries, labor disputes or investigations pending.

ITEM 1A. RISK FACTORS

There have been no changes to the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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

Common Stock

The Company issued a total of 335,968 shares of common stock during the three months ended March 31, 2016, on a post-Reverse Split basis, as described below:

The Company issued 2,500 shares of common stock pursuant to conversions of an aggregate of 1,000 shares of Series A preferred stock.

The Company issued 183,468 shares of common stock pursuant to conversions of an aggregate of 73,387 shares of Series C preferred stock.

The Company issued 50,000 shares of common stock pursuant to conversions of an aggregate of 2,000,000 shares of Series D preferred stock.

The Company issued 50,000 shares of common stock pursuant to conversions of an aggregate of 1,999,998 shares of Series F preferred stock.

The Company issued 50,000 shares of common stock pursuant to conversions of an aggregate of 2,000,000 shares of Series F preferred stock.

The securities referenced above were offered and sold solely to "accredited investors" in reliance on the exemption from registration afford by Rule 506 of Regulation D and/or Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Kevin Hess Resignation

On April 27, 2016, Mr. Kevin Hess resigned from his position as Chief Executive Officer of the Company, and was appointed to the position of Chief Technology Officer. Mr. Hess's resignation is not in connection with any known disagreement with the Company on any matter relating to the Company's operations, policies, or practices. The above description is qualified in its entirety by reference to the terms of the Mr. Hess's resignation letter, attached hereto as Exhibit 99.1, which is incorporated herein by this reference.

On April 27, 2016, the Company entered into an amendment agreement (the "Hess Amendment") to that certain amended and restated employment agreement, by and between the Company and Kevin Hess, dated October 2, 2015 (the "Hess Agreement"). Pursuant to the terms of the Hess Amendment, the parties agreed to extend the termination date of the Hess Employment Agreement to May 18, 2018 and restate Mr. Hess's new role as Chief Technology Officer. The above description is qualified in its entirety by reference to the terms of the Hess Amendment, attached hereto as Exhibit 10.3, which is incorporated herein by this reference.

Nussbaum Appointment

On April 27, 2016, the Board appointed Mr. Jay Nussbaum to serve as the Company's Chief Executive Officer. Mr. Nussbaum will also continue in his current role as Chairman of the Board of Directors. Additionally, on April 27, 2015, the Company entered into an Employment Agreement with Mr. Nussbaum (the "Nussbaum Agreement"), pursuant to which Mr. Nussbaum shall serve as the Company's Chief Executive Officer until May 18, 2018, subject to extension, in consideration for an annual base salary of \$1.00. Additionally, Mr. Nussbaum will be entitled to receive an annual cash bonus if the Company meets or exceeds certain criteria adopted by the Board's Compensation Committee. In addition, Mr. Nussbaum will be eligible for such grants of awards under stock option or other equity incentive plans of the Company as are adopted by the Board and approved by the shareholders of the Company. The foregoing description of the principal terms of the Nussbaum Agreement is a general description only, does not purport to be complete, and is qualified in its entirety by reference to the terms of the Nussbaum Agreement attached hereto as Exhibit 10.4, which is incorporated herein by this reference.

Carpenter Amendment

On April 27, 2016, the Company entered into an amendment agreement (the "Carpenter Amendment") to that certain employment agreement, by and between the Company and Kendall Carpenter, dated May 18, 2015 (the "Carpenter Agreement"). Pursuant to the terms of the Carpenter Amendment, the parties agreed to extend the termination date of the Carpenter Agreement to May 18, 2018 and increase Ms. Carpenter's annual base salary to One Hundred Fifty Thousand (\$150,000) dollars. The above description is qualified in its entirety by reference to the terms of the Carpenter Amendment, attached hereto as Exhibit 10.5, which is incorporated herein by this reference.

Erdberg Amendment

On April 27, 2016, the Company entered into an amendment agreement (the "Erdberg Amendment") to that certain employment agreement, by and between the Company and Daniyel Erdberg, dated May 18, 2015, as amended on October 2, 2015 (the "Erdberg Agreement"). Pursuant to the terms of the Erdberg Amendment, the parties agreed to extend the termination date of the Erdberg Amendment to May 18, 2018 and increase Mr. Erdberg's annual base salary to One Hundred Fifty Thousand (\$150,000) dollars. The above description is qualified in its entirety by reference to the terms of the Erdberg Amendment, attached hereto as Exhibit 10.6, which is incorporated herein by this reference.

Felicia Hess Amendment

On April 27, 2016, the Company entered into an amendment agreement (the "Felicia Hess Amendment") to that certain employment agreement, by and between the Company and Felicia Hess, dated May 18, 2015, as amended on October 2, 2015 (the "Felicia Hess Agreement"). Pursuant to the terms of the Felicia Hess Amendment, the parties agreed to extend the termination date of the Felicia Hess Agreement to May 18, 2018. The above description is qualified in its entirety by reference to the terms of the Felicia Hess Amendment, attached hereto as Exhibit 10.7, which is incorporated herein by this reference.

Flynn Appointment and Agreement

On April 27, 2015, the Board appointed Lt. General Michael T. Flynn (R), age 57, to serve as a member of the Company's Board of Directors and as Vice Chairman of the Board. Lt. Gen. Flynn will also sit on the Strategic Advisory Board of the Company. In connection with Lt. Gen. Flynn's appointment, the Board approved, and the Company entered into, a twenty four (24) month director agreement (the "Flynn Agreement") which provided for a Three Thousand (\$3,000) Dollar monthly director fee for Lt. Gen. Flynn and a restricted stock grant of One Hundred Thousand (100,000) shares, which shall vest over twenty four (24) equal monthly installments. The above description is qualified in its entirety by reference to the terms of the Flynn Agreement, attached hereto as Exhibit 10.8, which is incorporated herein by this reference.

Lt. General Michael T. Flynn (R) has been Chairman and CEO of Flynn Intel Group, Inc. based in Alexandria, Virginia since his retirement from military service in August 2014. General Flynn has over 33 years of service in our nation's military culminating as the Director of the Defense Intelligence Agency (DIA) between July 2012 and August 2014 and as the nation's highest serving military intelligence officer. General Flynn served as the Director of Intelligence, Joint Staff from July 2008 to June 2009, and then was the Director of Intelligence, International Security Assistance Force in Afghanistan from June 2009 to October 2010. He also served as the Director of

Intelligence, United States Central Command from June 2007 to July 2008, and the Director of Intelligence for Joint Special Operations Command from July 2004 to June 2007, with service in Afghanistan (Operation Enduring Freedom) and Iraq (Operation Iraqi Freedom).

A Reserve Officer Training Program graduate and a University of Rhode Island alumnus, General Flynn began his career as a paratrooper in the 82nd Airborne Division. A career intelligence officer, General Flynn has over a decade of Signals Intelligence and Electronic Warfare assignments as well as numerous other Airborne, Special Operations, Conventional and Interagency intelligence assignments. He holds three masters degrees (an MBA in Telecommunications, a MMAS in the Military Arts and Sciences and a Masters in National Security Studies) as well as two honorary doctorates (Laws from The Institute of World Politics and Human Letters from The University of Rhode Island), along with numerous other military, law enforcement, intelligence and international awards and honors.

Executive Restricted Stock Awards

On April 27, 2016, the Board approved the issuance of restricted stock grants to the following officers of the Company, which shall vest upon the consummation of an equity or debt financing in which the Company receives gross proceeds of at least \$3,725,000, provided that such officer continues to be employed by the Company at such time:

OFFICER	RESTRICTED STOCK GRANT
Jay Nussbaum	450,000 shares
Felicia Hess	350,000 shares
Daniyel Erdberg	250,000 shares
Kendall Carpenter	50,000 shares
Kevin Hess	50,000 shares

Item 6. Exhibits

- 10.1* Amendment Agreement to the Amended and Restated Employment Agreement of Kevin Hess, dated April 27, 2016, by and between the Company and Kevin Hess.
- 10.2* Employment Agreement of Jay Nussbaum, dated April 27, 2016, by and between the Company and Jay Nussbaum.
- 10.3* Amendment Agreement to the Employment Agreement of Kendall Carpenter, dated April 27, 2016, by and between the Company and Kendall Carpenter.
- 10.4* Amendment Agreement to the Employment Agreement of Daniyel Erdberg, dated April 27, 2016, by and between the Company and Daniyel Erdberg.
- 10.5* Amendment Agreement to the Employment Agreement of Felicia Hess, dated April 27, 2016, by and between the Company and Felicia Hess.
- 10.6* Director Agreement, dated April 27, 2016, by and between the Company and Lt. Gen. Michael T. Flynn.
- 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.
- 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.
- 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.
- 99.1* Resignation letter of Kevin Hess as Chief Executive Officer of the Company, dated April 27, 2016.
- 101 INS XBRL Instance Document
- 101 SCH XBRL Taxonomy Extension Schema Document
- 101 CAL XBRL Taxonomy Calculation Linkbase Document
- 101 LAB XBRL Taxonomy Labels Linkbase Document
- 101 PRE XBRL Taxonomy Presentation Linkbase Document
- 101 DEF XBRL Taxonomy Extension Definition Linkbase Document
- * Filed herewith.

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: April 29, 2016 By: /s/ JAY H. NUSSBAUM

Jay H. Nussbaum Chief Executive Officer (Principal Executive Officer)

Date: April 29, 2016 By:

/s/ KENDALL CARPENTER
Kendall Carpenter
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

AMENDMENT NO. 2 TO EMPLOYMENT AGREEMENT

This Amendment No. 2 to the Employment Agreement ("<u>Amendment</u>"), dated April 27, 2016, is by and between Drone Aviation Holding Corp., a Nevada corporation with an address 11651 Central Parkway #118, Jacksonville, FL 32224 (the "<u>Company</u>"), and **Kevin Hess** (the "<u>Executive</u>").

WHEREAS, the parties entered into an Employment Agreement on May 18, 2015 (the "Employment Agreement"); and

WHEREAS, the parties entered into an Amended and Restated Employment Agreement on October 2, 2015 (Hess Amendment No. 1); and

WHEREAS, the parties wish to further amend the Employment Agreement as set forth below, with the understanding that all other provisions of the Employment Agreement shall remain unchanged;

NOW, THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties hereto agree as follows:

1. Section 2 of the Hess Amendment No. 1 shall be amended in its entirety to read as follows:

The Employee shall serve as **Chief Technology Officer** of the Corporation, with such duties, responsibilities and authority as are commensurate and consistent with his position, as may be, from time to time, assigned to him by the Chief Executive Officer (the "CEO") of the Corporation. The Employee shall report directly to the CEO. During the Term (as defined in Section 3), the Employee shall devote all of his full business time and efforts to the performance of his duties hereunder unless otherwise authorized by the Board. Notwithstanding the foregoing, the expenditure of reasonable amounts of time by the Employee for the making of passive personal investments, the conduct of business affairs and charitable and professional activities shall be allowed, provided such activities do not materially interfere with the services required to be rendered to the Corporation hereunder and do not violate the restrictive covenants set forth in Section 9 below.

- 2. Section 3 of the Employment Agreement- Term of Employment- is hereby extended by one (1) year until May 18, 2018.
- 3. The terms and conditions of all other sections of the Employment Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date first stated above.

[Signature Page to the Amendment No. 2 to Employment Agreement]

DRONE AVIATION HOLDING CORP.

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

By: /s/ Kevin Hess

Name: Kevin Hess

Title: Chief Technology Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made and entered into as of this 27 day of April 2016 (the "Effective Date"), by and between Drone Aviation Holding Corp., a Nevada corporation with offices at 11651 Central Parkway #118, Jacksonville, FL 32224 (the "Corporation"), and JAY H. NUSSBAUM (the "Employee"), under the following circumstances:

RECITALS:

- A. The Corporation desires to secure the services of the Employee upon the terms and conditions hereinafter set forth; and
 - B. The Employee desires to render services to the Corporation upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties mutually agree as follows:

- 1. <u>Employment.</u> The Corporation hereby employs the Employee and the Employee hereby accepts employment as an Employee of the Corporation, subject to the terms and conditions set forth in this Agreement.
- 2. <u>Duties.</u> The Employee shall serve as **Chief Executive Officer** of the Corporation, with such duties, responsibilities and authority as are commensurate and consistent with his position, as may be, from time to time, assigned to him by the Board of Directors (the "<u>Board</u>") of the Corporation. The Executive shall also serve as a member of the Company's Board. During the Term (as defined in Section 3), the Employee shall devote all of his full business time and efforts to the performance of his duties hereunder unless otherwise authorized by the Board. Notwithstanding the foregoing, the expenditure of reasonable amounts of time by the Employee for the making of passive personal investments, the conduct of business affairs and charitable and professional activities shall be allowed, provided such activities do not materially interfere with the services required to be rendered to the Corporation hereunder and do not violate the restrictive covenants set forth in <u>Section 9</u> below.
- 3. <u>Term of Employment.</u> The term of the Employee's employment hereunder, unless sooner terminated as provided herein (the "<u>Initial Term</u>"), shall be for a period of two (2) years and 22 days commencing on the Effective Date through May 18, 2018. The term of this Agreement shall automatically be extended for additional terms of one (1) year each (each a "<u>Renewal Term</u>") unless either party gives prior written notice of non-renewal to the other party no later than thirty (30) days prior to the expiration of the Initial Term ("<u>Non-Renewal Notice</u>"), or the then current Renewal Term, as the case may be. For purposes of this Agreement, the Initial Term and any Renewal Term are hereinafter collectively referred to as the "<u>Term</u>."

4.	Compensation	of Employ	ee.

- (a) The Corporation shall pay the Employee as compensation for his services hereunder, in monthly installments during the Term, the sum of \$1 (the "Base Salary"), less such deductions as shall be required to be withheld by applicable law and regulations and monthly advances against the salary. The Corporation shall review the Base Salary on an annual basis and has the right but not the obligation to increase it but such salary shall not be decreased during the Term.
- (b) In addition to the Base Salary set forth in Section 4(a), the Employee shall be entitled to receive an annual cash bonus if the Corporation meets or exceeds criteria adopted by the Compensation Committee of the Board of Directors (the "Compensation Committee") for earning bonuses which criteria shall be adopted by the Compensation Committee annually. Bonuses shall be paid by the Corporation to the Employee promptly after determination that the relevant targets have been met, it being understood that the attainment of any financial targets associated with any bonus shall not be determined until following the completion of the Corporation's annual audit and public announcement of such results and bonuses shall be paid promptly following the Corporation's announcement of earnings.
- (c) <u>Equity Awards</u>. Employee shall be eligible for such grants of awards under stock option or other equity incentive plans of the Corporation adopted by the Board and approved by the Corporation's stockholders (or any successor or replacement plan adopted by the Board and approved by the Corporation's stockholders) (the "<u>Plan</u>") as the Compensation Committee of the Corporation may from time to time determine (the "<u>Share Awards</u>"). Share Awards shall be subject to the applicable Plan terms and conditions, provided, however, that Share Awards shall be subject to any additional terms and conditions as are provided herein or in any award certificate(s), which shall supersede any conflicting provisions governing Share Awards provided under the Plan.
- (d) The Corporation shall pay or reimburse the Employee for all reasonable out-of-pocket expenses actually incurred or paid by the Employee in the course of his employment, including all reasonable expenses for the use of a cell phone in connection with Employee's employment with the Corporation, consistent with the Corporation's policy for reimbursement of expenses from time to time.
 - (e) The Employee shall be entitled to participate in such pension, profit sharing, group insurance, hospitalization, and group health and benefit plans and all other benefits and plans, including perquisites, if any, as the Corporation provides to its senior Employees, including group family health insurance coverage which shall be paid by the Corporation (the "Benefit Plans").

5. <u>Termination</u>.

- (a) This Agreement and the Employee's employment hereunder shall terminate upon the happening of any of the following events:
 - (i) upon the Employee's death;

- (ii) upon the Employee's "Total Disability" (as herein defined);
- (iii) upon the expiration of the Initial Term of this Agreement or any Renewal Term thereof, if either party has provided a timely notice of non-renewal in accordance with Section 3, above;
 - (iv) at the Employee's option, upon thirty (30) days prior written notice to the Corporation;
- (v) at the Employee's option, in the event of an act by the Corporation, defined in Section 5(c), below, as constituting "Good Reason" for termination by the Employee; and
- (vi) at the Corporation's option, in the event of an act by the Employee, defined in Section 5(d), below, as constituting "Cause" for termination by the Corporation.
- (b) For purposes of this Agreement, the Employee shall be deemed to be suffering from a "<u>Total Disability</u>" if the Employee has failed to perform his regular and customary duties to the Corporation for a period of 180 days out of any 360-day period and if before the Employee has become "Rehabilitated" (as herein defined) a majority of the members of the Board, exclusive of the Employee, vote to determine that the Employee is mentally or physically incapable or unable to continue to perform such regular and customary duties of employment. As used herein, the term "<u>Rehabilitated</u>" shall mean such time as the Employee is willing, able and commences to devote his time and energies to the affairs of the Corporation to the extent and in the manner that he did so prior to his Total Disability. Nothing in this Section 5(b) shall be construed to waive the Employee's rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. s.2601 *et seq.* and the Americans with Disabilities Act, 42 U.S.C. s12101 *et seq.*
- (c) For purposes of this Agreement, the term "Good Reason" shall mean that the Employee has resigned due to (i) any diminution of duties inconsistent with Employee's title, authority, duties and responsibilities (including, without limitation, a change in the chain of reporting); (ii) any reduction of or failure to pay Employee compensation provided for herein, except to the extent Employee consents in writing prior to any reduction, deferral or waiver of compensation, which non-payment continues for a period of ten (10) days following written notice to the Corporation by Employee of such non-payment; (iii) any relocation of the principal location of Employee's employment outside of Jacksonville, FL without the Employee's prior written consent; (iv) the consummation of any Change in Control Transaction (as defined below); (vi) any material violation by the Corporation of its obligations under this Agreement that is not cured within thirty (30) days after receipt of written notice thereof from the Employee. For purposes of this Agreement, the term "Change in Control Transaction" means the sale of the Corporation to an un-affiliated person or entity or group of un-affiliated persons or entities pursuant to which such party or parties acquire (i) shares of capital stock of the Corporation representing at least fifty percent (50%) of outstanding capital stock or sufficient to elect a majority of the Board of the Corporation (whether by merger, consolidation, sale or transfer of shares (other than a merger where the Corporation is the surviving corporation and the shareholders and directors of the Corporation prior to the merger constitute a majority of the shareholders and directors, respectively, of the surviving corporation (or its parent)) or (ii) all or substantially all of the Corporation's assets determined on a consolidated basis.

- (d) For purposes of this Agreement, the term "Cause" shall mean:
- (i) conviction of a felony or a crime involving fraud or moral turpitude; or
- (ii) theft, material act of dishonesty or fraud, intentional falsification of any employment or Corporation records, or commission of any criminal act which impairs Employee's ability to perform appropriate employment duties for the Corporation; or
- (iii) intentional or reckless conduct or gross negligence materially harmful to the Corporation or the successor to the Corporation after a Change in Control Transaction, including violation of a non-competition or confidentiality agreement; or
- (iv) willful failure to follow lawful and reasonable instructions of the person or body to which Employee reports, which failure, if curable, is not cured within thirty (30) days after written notice to the Employee thereof; or
 - (v) gross negligence or willful misconduct in the performance of Employee's assigned duties; or
- (vi) any material breach of this Agreement by Employee, which breach, if curable, is not cured within fifteen (15) days after written notice to the Employee of such breach.

6. Effects of Termination.

- (a) Upon termination of the Employee's employment pursuant to Section 5(a)(i) or (ii), in addition to the accrued but unpaid compensation through the date of death or Total Disability and any other benefits accrued to him under any Benefit Plans outstanding at such time and the reimbursement of documented, unreimbursed expenses incurred prior to such date, the Employee or his estate or beneficiaries, as applicable, shall be entitled to the following severance benefits: (i) continued provision for a period of twelve (12) months following the Employee's death or Total Disability of benefits under Benefit Plans extended from time to time by the Corporation to its senior Employees; and (ii) payment on a pro-rated basis of any bonus or other payments earned in connection with any bonus plan to which the Employee was a participant as of the date of death or Total Disability.
- (b) Upon termination of the Employee's employment pursuant to Section 5(a)(iii), where the Corporation has offered to renew the term of the Employee's employment for an additional one (1) year period and the Employee chooses not to continue in the employ of the Corporation, the Employee shall be entitled to receive only the accrued but unpaid compensation through the date of termination and any other benefits accrued to him under any Benefit Plans outstanding at such time and the reimbursement of documented, unreimbursed expenses incurred prior to such date. In the event the Corporation tenders a Non-Renewal Notice to the Employee, then the Employee shall be entitled to the same severance benefits as if the Employee's employment were terminated pursuant to Section 5(a)(v); provided, however, if such Non-Renewal Notice was triggered due to the Corporation's statement that the Employee's employment was terminated due to Section 5(a)(vi) (for "Cause"), then payment of severance benefits will be contingent upon a determination as to whether termination was properly for "Cause."

- Upon termination of the Employee's employment pursuant to Section 5(a)(v) or other than pursuant to Section 5(a)(i), 5(a)(ii), 5(a)(iii), 5(a)(iv), or 5(a)(v) (i.e., without "Cause"), in addition to the accrued but unpaid compensation and vacation pay through the end of the Term or any then applicable extension of the Term and any other benefits accrued to him under any Benefit Plans outstanding at such time and the reimbursement of documented, unreimbursed expenses incurred prior to such date, the Employee shall be entitled to the following severance benefits: (i) a cash payment, based on the current scale of Employee's Base Salary, equal to six months of Base Salary, to be paid in a single lump sum payment not later than sixty (60) days following such termination, less withholding of all applicable taxes; (ii) continued provision for a period of twelve (12) months after the date of termination of the benefits under Benefit Plans extended from time to time by the Corporation to its senior Employees; and (iii) payment on a pro-rated basis of any bonus or other payments earned in connection with any bonus plan to which the Employee was a participant as of the date of the Employee's termination of employment. In addition, any options or restricted stock shall be immediately vested upon termination of Employee's employment pursuant to Section 5(a)(v) or by the Corporation without "Cause".
- (d) Upon termination of the Employee's employment pursuant to Section 5(a)(iv) or (vi), in addition to the reimbursement of documented, unreimbursed expenses incurred prior to such date, the Employee shall be entitled to the following severance benefits: (i) accrued and unpaid Base Salary through the date of termination, less withholding of applicable taxes and any other benefits accrued to him under any Benefit Plans outstanding at such time; and (ii) continued provision, for a period of one (1) month after the date of the Employee's termination of employment, of benefits under Benefit Plans extended to the Employee at the time of termination. Employee shall have any conversion rights available under the Corporation's Benefit Plans and as otherwise provided by law, including the Comprehensive Omnibus Budget Reconciliation Act.
- (e) Any payments required to be made hereunder by the Corporation to the Employee shall continue to the Employee's beneficiaries in the event of his death until paid in full.
- 7. <u>Time Off.</u> In additional to standard holidays, the Employee shall be entitled to take reasonable amounts of time off for vacation, illness, and personal matters during which period his salary shall be paid in full. Discretionary absences of longer than one week should be scheduled at such time or times as the Employee and the Corporation shall determine is mutually convenient.

8. <u>Disclosure of Confidential Information</u>.

- (a) The Employee recognizes, acknowledges and agrees that he has had and will continue to have access to secret and confidential information regarding the Corporation, its subsidiaries and their respective businesses ("Confidential Information"), including but not limited to, its products, methods, formulas, software code, patents, sources of supply, customer dealings, data, know-how, trade secrets and business plans, provided such information (i) is not in or does not hereafter become part of the public domain, or (ii) became known to others through no fault of the Employee. The Employee acknowledges that such information is of great value to the Corporation, is the sole property of the Corporation, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Corporation herein, the Employee will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any Confidential Information acquired by the Employee during the course of his employment, which is treated as confidential by the Corporation, and not otherwise in the public domain, except as required by law (but only after Employee has provided the Corporation with reasonable notice and opportunity to take action against any legally required disclosure. The provisions of this Section 8 shall survive the termination of the Employee's employment hereunder.
- (b) The Employee affirms that he does not possess and will not rely upon the protected trade secrets or confidential or proprietary information of any prior employer(s) in providing services to the Corporation or its subsidiaries, except his prior knowledge of Lighter Than Air Systems Corp. which was acquired by the Corporation.
- (c) In the event that the Employee's employment with the Corporation terminates for any reason, the Employee shall deliver forthwith to the Corporation any and all originals and copies, including those in electronic or digital formats, of Confidential Information; provided, however, Employee shall be entitled to retain (i) papers and other materials of a personal nature, including, but not limited to, photographs, correspondence, personal diaries, calendars and rolodexes, personal files and phone books, (ii) information showing his compensation or relating to reimbursement of expenses, (iii) information that he reasonably believes may be needed for tax purposes and (iv) copies of plans, programs and agreements relating to his employment, or termination thereof, with the Corporation.

9. Non-Competition and Non-Solicitation.

(a) The Employee agrees and acknowledges that the Confidential Information that the Employee has already received and will receive is valuable to the Corporation and that its protection and maintenance constitutes a legitimate business interest of the Corporation, to be protected by the non-competition restrictions set forth herein. The Employee agrees and acknowledges that the non-competition restrictions set forth herein are reasonable and necessary and do not impose undue hardship or burdens on the Employee. The Employee also acknowledges that the Corporation's business is conducted worldwide (the "Territory"), and that the Territory, scope of prohibited competition, and time duration set forth in the non-competition restrictions set forth below are reasonable and necessary to maintain the value of the Confidential Information of, and to protect the goodwill and other legitimate business interests of, the Corporation, its affiliates and/or its clients or customers. The provisions of this Section 9 shall survive the termination of the Employee's employment hereunder for the time periods specified below.

- (b) The Employee hereby agrees and covenants that he shall not without the prior written consent of the Corporation, directly or indirectly, in any capacity whatsoever, including, without limitation, as an employee, employer, consultant, principal, partner, shareholder, officer, director or any other individual or representative capacity (other than (i) as a holder of less than two (2%) percent of the outstanding securities of a company whose shares are traded on any national securities exchange or (ii) as a limited partner, passive minority interest holder in a venture capital fund, private equity fund or similar investment entity which holds or may hold an equity or debt position in portfolio companies that are competitive with the Corporation; provided however, that the Employee shall be precluded from serving as an operating partner, general partner, manager or governing board designee with respect to such portfolio companies), whether on the Employee's own behalf or on behalf of any other person or entity or otherwise howsoever, during the Term and thereafter to the extent described below, within the Territory.
- (1) Engage, own, manage, operate, control, be employed by, consult for, participate in, or be connected in any manner with the ownership, management, operation or control of any business in competition with the Business of the Corporation, as defined in the next sentence. "Business" shall mean the development and sale of lighter than air and heavier than air tethered aerostats or drones.
- (2) Recruit, solicit or hire, or attempt to recruit, solicit or hire, any employee, or independent contractor of the Corporation to leave the employment (or independent contractor relationship) thereof, whether or not any such employee or independent contractor is party to an employment agreement, for the purpose of competing with the Business of the Corporation;
- (3) Attempt in any manner to solicit or accept from any customer of the Corporation, with whom Employee had significant contact during Employee's employment by the Corporation (whether under this Agreement or otherwise), business competitive with the Business done by the Corporation with such customer or to persuade or attempt to persuade any such customer to cease to do business or to reduce the amount of business which such customer has customarily done with the Corporation, or if any such customer elects to move its business to a person other than the Corporation, provide any services of the kind or competitive with the Business of the Corporation for such customer, or have any discussions regarding any such service with such customer, on behalf of such other person for the purpose of competing with the Business of the Corporation; or
- (4) Interfere with any relationship, contractual or otherwise, between the Corporation and any other party, including, without limitation, any supplier, distributor, co-venturer or joint venturer of the Corporation, for the purpose of soliciting such other party to discontinue or reduce its business with the Corporation for the purpose of competing with the Business of the Corporation.

With respect to the activities described in Paragraphs (1), (2), (3) and (4) above, the restrictions of this Section 9 shall continue during the Employment Period and, upon termination of the Employee's employment for a period of one (1) year thereafter.

10. <u>Intentionally Omitted.</u>

11. <u>Section 409A</u>.

The provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and any final regulations and guidance promulgated thereunder ("Section 409A") and shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. The Corporation and Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Employee under Section 409A.

To the extent that Employee will be reimbursed for costs and expenses or in-kind benefits, except as otherwise permitted by Section 409A, (a) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit, (b) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; provided that the foregoing clause (b) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect and (c) such payments shall be made on or before the last day of the taxable year following the taxable year in which you incurred the expense.

A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination constitutes a "Separation from Service" within the meaning of Section 409A and, for purposes of any such provision of this Agreement references to a "termination," "termination of employment" or like terms shall mean Separation from Service.

Each installment payable hereunder shall constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b), including Treasury Regulation Section 1.409A-2(b)(2)(iii). Each payment that is made within the terms of the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4) is intended to meet the "short-term deferral" rule. Each other payment is intended to be a payment upon an involuntary termination from service and payable pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii), et. seq., to the maximum extent permitted by that regulation, with any amount that is not exempt from Code Section 409A being subject to Code Section 409A.

Notwithstanding anything to the contrary in this Agreement, if Employee is a "specified employee" within the meaning of Section 409A at the time of Employee's termination, then only that portion of the severance and benefits payable to Employee pursuant to this Agreement, if any, and any other severance payments or separation benefits which may be considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits"), which (when considered together) do not exceed the Section 409A Limit (as defined herein) may be made within the first six (6) months following Employee's termination of employment in accordance with the payment schedule applicable to each payment or benefit. Any portion of the Deferred Compensation Separation Benefits in excess of the Section 409A Limit otherwise due to Employee on or within the six (6) month period following Employee's termination will accrue during such six (6) month period and will become payable in one lump sum cash payment on the date six (6) months and one (1) day following the date of Employee's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Employee dies following termination but prior to the six (6) month anniversary of Employee's termination date, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Employee's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit.

For purposes of this Agreement, "Section 409A Limit" will mean a sum equal (x) to the amounts payable prior to March 15 following the year in which Employee terminations plus (y) the lesser of two (2) times: (i) Employee's annualized compensation based upon the annual rate of pay paid to Employee during the Corporation's taxable year preceding the Corporation's taxable year of Employee's termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any IRS guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Employee's employment is terminated.

12. Miscellaneous.

- a. The Employee acknowledges that the services to be rendered by him under the provisions of this Agreement are of a special, unique and extraordinary character and that it would be difficult or impossible to replace such services. Accordingly, the Employee agrees that any breach or threatened breach by him of Sections 8 or 9 of this Agreement shall entitle the Corporation, in addition to all other legal remedies available to it, to apply to any court of competent jurisdiction to seek to enjoin such breach or threatened breach. The parties understand and intend that each restriction agreed to by the Employee hereinabove shall be construed as separable and divisible from every other restriction, that the unenforceability of any restriction shall not limit the enforceability, in whole or in part, of any other restriction, and that one or more or all of such restrictions may be enforced in whole or in part as the circumstances warrant. In the event that any restriction in this Agreement is more restrictive than permitted by law in the jurisdiction in which the Corporation seeks enforcement thereof, such restriction shall be limited to the extent permitted by law. The remedy of injunctive relief herein set forth shall be in addition to, and not in lieu of, any other rights or remedies that the Corporation may have at law or in equity.
- b. Neither the Employee nor the Corporation may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other; provided however that the Corporation shall have the right to delegate its obligation of payment of all sums due to the Employee hereunder, provided that such delegation shall not relieve the Corporation of any of its obligations hereunder.
- c. This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to the Employee's employment by the Corporation, supersedes all prior understandings and agreements, whether oral or written, between the Employee and the Corporation, and shall not be amended, modified or changed except by an instrument in writing executed by the party to be charged. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

d. This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their respective successors, heirs, beneficiaries and permitted assigns.
e. The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.
f. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or by private overnight mail service (e.g. Federal Express) to the party at the address set forth above or to such other address as either party may hereafter give notice of in accordance with the provisions hereof. Notices shall be deemed given on the sooner of the date actually received or the third business day after sending.
g. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Florida without reference to principles of conflicts of laws and each of the parties hereto irrevocably consents to the jurisdiction and venue of the federal and state courts located in the State of Florida.
h. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one of the same instrument. The parties hereto have executed this Agreement as of the date set forth above.
CORPORATION:
DRONE AVIATION HOLDING CORP.
By: Kendall Carpenter
Title: EVP and Chief Financial Officer
EMPLOYEE:
By: Jay H. Nussbaum
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AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This Amendment No. 1 to the Employment Agreement ("<u>Amendment</u>"), dated April 27, 2016, is by and between Drone Aviation Holding Corp., a Nevada corporation with an address 11651 Central Parkway #118, Jacksonville, FL 32224 (the "<u>Company</u>"), and **Kendall Carpenter** (the "<u>Executive</u>").

WHEREAS, the parties entered into an Employment Agreement on May 18, 2015 (the "Employment Agreement"); and

WHEREAS, the parties wish to further amend the Employment Agreement as set forth below, with the understanding that all other provisions of the Employment Agreement shall remain unchanged;

NOW, THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties hereto agree as follows:

- 1. Section 3 of the Employment Agreement-Term of Employment- is hereby extended by one (1) year until May 18, 2018.
- 2. Section 4(d) of the Employment Agreement shall be amended in its entirety to read as follows:

The Employee shall be entitled to participate in such pension, profit sharing, group insurance, hospitalization, and group health and benefit plans and all other benefits and plans, including perquisites, if any, as the Corporation provides to its senior Employees, including group family health insurance coverage which shall be paid by the Corporation (the "Benefit Plans"). In the event the Corporation does not have a health benefit plan in place, or the health benefit plan is limited geographically, the Corporation shall reimburse the Employee for expenses incurred in maintaining health and dental insurance for Employee, her spouse and children, in an amount not to exceed \$1,500 per month.

- 3. Section 4 of the Employment Agreement Compensation of Employee is hereby modified to \$150,000 annual Base Salary.
- 4. The terms and conditions of all other sections of the Employment Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date first stated above.

Signature Page to the Amendment No. 2 to Employment Agreement]

DRONE AVIATION HOLDING CORP.

By: /s/ Kendall Carpenter

Name: Kendall W. Carpenter Title: Chief Financial Officer

By: /s/ Jay H. Nussbaum

Name: Jay H. Nussbaum Title: Chief Executive Officer

AMENDMENT NO. 2 TO EMPLOYMENT AGREEMENT

This Amendment No. 2 to the Employment Agreement ("<u>Amendment</u>"), dated April 27, 2016, is by and between Drone Aviation Holding Corp., a Nevada corporation with an address 11651 Central Parkway #118, Jacksonville, FL 32224 (the "<u>Company</u>"), and Daniyel Erdberg (the "<u>Executive</u>").

WHEREAS, the parties entered into an Employment Agreement on May 18, 2015 (the "Employment Agreement"); and

WHEREAS, the parties entered into an Amendment No. 1 on October 2, 2015 (Erdberg Amendment No. 1); and

WHEREAS, the parties wish to further amend the Employment Agreement as set forth below, with the understanding that all other provisions of the Employment Agreement shall remain unchanged;

NOW, THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties hereto agree as follows:

- 1. Section 3 of the Employment Agreement-Term of Employment- is hereby extended by one (1) year until May 18, 2018.
- 2. Section 4 of the Employment Agreement Compensation of Employee is hereby modified to \$150,000 annual Base Salary.
- 3. The terms and conditions of all other sections of the Employment Agreement shall remain unchanged and in full force and effect.

 IN WITNESS WHEREOF, the parties have executed this agreement as of the date first stated above.

DRONE AVIATION HOLDING CORP.

By: /s/ Kendall Carpenter

Name: Kendall W. Carpenter Title: Chief Financial Officer

DANIYEL ERDBERG

By: /s/ Daniyel Erdberg

Name: Daniyel Erdberg

Title: President

AMENDMENT NO. 2 TO EMPLOYMENT AGREEMENT

This Amendment No. 2 to the Employment Agreement ("<u>Amendment</u>"), dated April 27, 2016, is by and between Drone Aviation Holding Corp., a Nevada corporation with an address 11651 Central Parkway #118, Jacksonville, FL 32224 (the "<u>Company</u>"), and **Felicia Hess** (the "<u>Executive</u>").

WHEREAS, the parties entered into an Employment Agreement on May 18, 2015 (the "Employment Agreement"); and

WHEREAS, the parties entered into an Amendment No. 1 on October 2, 2015 (Hess Amendment No. 1); and

WHEREAS, the parties wish to further amend the Employment Agreement as set forth below, with the understanding that all other provisions of the Employment Agreement shall remain unchanged;

NOW, THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties hereto agree as follows:

- 1. Section 3 of the Employment Agreement-Term of Employment- is hereby extended by one (1) year until May 18, 2018.
- 2. The terms and conditions of all other sections of the Employment Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date first stated above.

DRONE AVIATION HOLDING CORP.

By: /s/ Kendall W. Carpenter Name: Kendall W. Carpenter

Title: Chief Financial Officer

By: /s/ Felicia Hess

Name: Felicia Hess

Title: Chief Operating Officer

DIRECTOR AGREEMENT

DIRECTOR AGREEMENT (this "*Agreement*") made as of the 27 day of April 2016 by and between Drone Aviation Holding Corp., a Nevada corporation (the "*Company*") and Lt. General Michael T. Flynn (R) ("*Nominee*").

WHEREAS, the Company desires to attract and retain a director who will consent to serve as Vice Chairman of the Board of Directors of the Company (the "Board"); and

WHEREAS, the Company believes that Nominee possesses valuable qualifications and abilities to serve on the Company's Board and as its Vice Chairman.

NOW, THEREFORE, the parties agree as follows:

1. Service to the Board.

(a) <u>Service as a Director</u>. Nominee consents to serve as the Vice Chairman of the Board of Directors of the Company for a term of two (2) years if elected or appointed and, upon appointment or election to the Board of the Company, to serve as a member of the Board of the Company.

Nominee agrees that upon appointment or election he will dutifully perform his responsibilities as a director in good faith, in accordance with applicable law, and in accordance with the Articles of Incorporation, bylaws and other policy and procedures applicable to such service. Upon appointment to the Board, Nominee shall resign from the Board of Directors of the Company, upon the request of the Chief Executive.

Nominee understands that this Agreement does not constitute an offer to serve as a director of the Company, or as an employee, or in any other capacity and that appointment shall only occur by vote of the Board or shareholders of the Company. Nominee understands and agrees that if the Company offers Nominee employment, the Company will request a background check consisting of a criminal history and other background checks to be used solely for employment-related purposes and understands an offer and any position will be contingent on the receipt and evaluation of the background check report.

(b) Service on Committees. Nominee will serve on the following committees and in the capacities stated:

	Member	Chairperson
Audit Committee	X	
Compensation/Nominating Committee	X	
Strategic Advisory Committee	X	

To the extent Nominee serves on the Audit Committee, Nominee represents that Nominee possesses the necessary skills and experience by which he is qualified to serve as a qualified financial expert for purposes of such position, and before the United States Securities and Exchange Commission ("SEC").

2. Compensation and Expenses.

- (a) <u>Compensation</u>. The Company agrees to adopt or has adopted compensation plans for directors applicable to Nominee, in the event Nominee becomes a director, as follows:
 - Annual fee of \$36,000, payable in monthly installments in accordance with the Company's past accounting practices;
 - · 100,000 shares of restricted common stock of the Company, subject to reverse monthly vesting over a successive twenty-four (24) month period based on General Flynn's continued service to the Company;
- (b) <u>Expenses</u>. The Company shall reimburse Nominee for all reasonable and necessary out-of-pocket expenses, including travel, incurred in connection with the performance of Nominee's duties as a director on behalf of the Company ("*Expenses*"), upon submission of adequate documentation therefor.
- (c) <u>Insurance</u>. The Company presently maintains a policy of directors' and officers' insurance coverage with a liability limit of \$2,000,000 ("**D&O Insurance**"). In the event any notice of termination or significant change in coverage or terms of D&O Insurance are received by the Company, prompt written notice shall be provided Nominee for so long as he serves as a director of the Company and during any subsequent period during which Nominee may be entitled to the benefit of such D&O Insurance.
- 3. <u>Confidentiality.</u> Nominee acknowledges that he shall be obtaining access to certain confidential information concerning the Company and its plans and affairs, including, but not limited to, business methods, systems, scheduling, financial data, intellectual property and strategic plans which are unique assets ("*Confidential Information*"). Nominee covenants and agrees to not, directly or indirectly, in any manner, utilize or disclose to any person, firm or entity, such Confidential Information.
- **4.** <u>Termination</u>. This Agreement shall terminate upon resignation or removal of Nominee as a director of the Company, provided that any provision of this Agreement not capable of performance prior to termination shall survive, shall survive such termination for the period necessary for performance.
- **5.** <u>Assignment</u>. The duties and obligations of Nominee under this Agreement are personal and therefore Nominee may not assign any right or duty under this Agreement without the prior written consent of the Company.
- **6.** <u>Counterparts.</u> This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one instrument. Facsimile execution and delivery of this Agreement is legal, valid and binding for all purposes.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and signed as of the day and year first above written.

DRONE AVIATION HOLDING CORP

By: Name: Jay N. Nussbaum Title: Chief Executive Officer

NOMINEE:

Name: Michael T. Flynn Home Address:

SS# Place of Birth:

CERTIFICATION

I, Jay H. 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 - 5.The registrant's other certifying officer 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 reasonable 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 controls over financial reporting.

Date: April 29, 2016 By: /s/ JAY H. NUSSBAUM

Jay H. Nussbaum Chief Executive Office (Principal Executive Officer)

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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer 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 reasonable 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 controls over financial reporting.

Date: April 29, 2016 By: /s/ KENDALL CARPENTER

Kendall Carpenter Chief Financial Office (Principal Financial Officer and Principal Accounting Officer)

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

I, Jay H. Nussbaum, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Drone Aviation Holding Corp. on Form 10-Q for the fiscal quarter ended March 31, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Drone Aviation Holding Corp.

By: /s/ JAY H. NUSSBAUM

Date: April 29, 2016 Name: Jay H. Nussbaum

Date: April 29, 2016

Title: Chief Executive Officer (Principal Executive Officer)

I, Kendall Carpenter, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Drone Aviation Holding Corp. on Form 10-Q for the fiscal quarter ended March 31, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Drone Aviation Holding Corp.

By: /s/ KENDALL CARPENTER

Name: Kendall Carpenter

Title: Chief Financial Officer (Principal Financial Officer and Principal

Accounting Officer)

Resignation Chief Executive Officer Position Drone Aviation Holding Corp.

I, Kevin Hess, hereby resign the Chief Executive Officer position that I hold with Drone Aviation Holding Corp. ("Company"), effective immediately. I further confirm that, as of this time I have no claim of right, action, dispute or disagreement with the Company or any of its current or future officers, directors, shareholders, agents, attorneys, accountants or contractors.

Dated: April 27, 2016

By: /s/ Kevin Hess

Kevin Hess