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

**Form 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number: 001-36492**

**AGEAGLE AERIAL SYSTEMS INC.**

(Exact name of registrant as specified in its charter)

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

**88-0422242**  
(I.R.S. Employer Identification No.)

**117 South 4<sup>th</sup> Street, Neodesha, Kansas**  
(Address of principal executive offices)

**66757**  
(Zip Code)

Registrant's telephone number, including area code: **(316) 202-2076**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.001 per share

NYSE American LLC

Securities registered pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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

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[Table of Contents](#)

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  
Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company  Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was \$7,805,401.

As of March 27, 2019, there were 14,382,763 shares of Common Stock, par value \$0.001 per share, issued and outstanding.

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AGEAGLE AERIAL SYSTEMS INC.

TABLE OF CONTENTS

<a href="#">PART I</a>		4
ITEM 1.	<a href="#">BUSINESS</a>	4
ITEM 1A.	<a href="#">RISK FACTORS</a>	11
ITEM 1B.	<a href="#">UNRESOLVED STAFF COMMENTS</a>	19
ITEM 2.	<a href="#">PROPERTIES</a>	20
ITEM 3.	<a href="#">LEGAL PROCEEDINGS</a>	20
ITEM 4.	<a href="#">MINE SAFETY DISCLOSURES</a>	20
<a href="#">PART II</a>		21
ITEM 5.	<a href="#">MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</a>	21
ITEM 6.	<a href="#">SELECTED FINANCIAL DATA</a>	21
ITEM 7.	<a href="#">MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</a>	22
ITEM 7A.	<a href="#">QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</a>	28
ITEM 8.	<a href="#">FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</a>	28
ITEM 9.	<a href="#">CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</a>	28
ITEM 9A.	<a href="#">CONTROLS AND PROCEDURES</a>	29
ITEM 9B.	<a href="#">OTHER INFORMATION</a>	29
<a href="#">PART III</a>		30
ITEM 10.	<a href="#">DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</a>	30
ITEM 11.	<a href="#">EXECUTIVE COMPENSATION</a>	34
ITEM 12.	<a href="#">SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</a>	39
ITEM 13.	<a href="#">CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</a>	44
ITEM 14.	<a href="#">PRINCIPAL ACCOUNTANT FEES AND SERVICES</a>	45
<a href="#">PART IV</a>		46
ITEM 15.	<a href="#">EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES</a>	46
<a href="#">INDEX TO FINANCIAL STATEMENTS</a>		F-1

## PART I

This report may contain forward-looking statements within the meaning of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management and involve risks and uncertainties. Forward-looking statements include statements regarding our plans, strategies, objectives, expectations and intentions, which are subject to change at any time at our discretion. Forward-looking statements include our assessment, from time to time of our competitive position, the industry environment, potential growth opportunities and the effects of regulation. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "estimates," "expects," "hopes," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss many of these risks in greater detail in "Risk Factors." Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this report. You should read this report and the documents that we reference in this report and have filed as exhibits to the report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

### ITEM 1. BUSINESS

#### Overview

AgEagle Aerial Systems Inc. ("AgEagle," "the Company," "we," "our" or "us") was created to pioneer, innovate and advance aerial imaging data collection and analytics technologies capable of addressing the impending food and environmental sustainability crises that threaten our planet. Our daily efforts are focused on delivering the metrics, tools and strategies necessary to define and implement intelligent sustainability and precision farming solutions that solve important problems confronting the agricultural industry. Since our founding in 2010, we have been intent on becoming a trusted partner to major food manufacturers and precision growers seeking to adopt and support productive agricultural approaches to better farming practices which limit the impact on our natural resources, reduce reliance on inputs and materially increase crop yields and profits.

#### *Our Unmanned Aerial Vehicles Business*

We design, produce, distribute and support technologically-advanced small unmanned aerial systems (UAVs or drones) that we offer for sale commercially to the precision agriculture industry. Additionally, we recently announced a new service offering using our leased UAVs and associated data processing services for the sustainable agriculture industry.

Our first commercially available product was the AgEagle Classic which was followed shortly thereafter by the RAPID System. As we improved and matured our product, we launched the RX-60 and subsequently our current product, the RX-48. The success we have achieved with our legacy products which we believe has carried over into the continued improvement of the RX-60 and RX-48, stems from our ability to invent and deliver advanced solutions utilizing our proprietary technologies and trade secrets that help farmers, agronomists and other precision agricultural professionals operate more effectively and efficiently. Our core technological capabilities, developed over five years of research and innovation, include a lightweight laminated shell that allows the UAV platform to perform under challenging flying conditions, a camera with a Near Infrared (NIR) filter, a rugged foot launcher (RX-60), and high-end software that automates drone flights and provides geo-referenced data.

Our UAV is an advanced fixed wing drone. Its design is based upon the years of experience our management has with aircraft and composite parts construction. All of our UAVs are electrically powered, weigh approximately six pounds fully loaded, are capable of flying over approximately 400 acres (roughly 60 minutes of airtime) per flight from their launch location, and are configured to carry a camera with our NIR filter that uses near infrared images to capture crop data. We believe that these characteristics make our UAVs well suited for providing a complete aerial view of a farmer's field to help precisely identify crop health and field conditions faster than any other method available.

Our UAVs were initially specifically designed to help farmers increase profits by pinpointing areas where nutrients or chemicals need to be applied, as opposed to traditional widespread land application processes, thus decreasing input costs, reducing the amount of chemicals applied and potentially increasing yields. Our products were designed for busy agriculture professionals who do not have the time to process images on their computers, which some of our competitors require. The software can automatically take pictures from the camera, stitch the photos together through the cloud, and deliver a geo-referenced, high quality aerial map to the user's desktop or tablet device using specialty precision agriculture software such as SST Software, SMS Software or most other agricultural software solutions. The result is a prescription or zone map that can then be used in a field computer that is typically found in a sprayer or applicator designed to drive through fields to precisely apply the amount of nutrients or chemicals required to continue or restore the production of healthy crops.

In addition to UAV sales, in late 2018, we introduced a new drone-leasing program, alleviating farmers and agribusinesses from significant upfront costs associated with purchasing a drone, while also relieving them from ongoing drone maintenance and support requirements. Additionally, the new program provides the option of engaging a trained AgEagle pilot to operate the drone and manage the entire image collection process, creating a truly turnkey aerial imagery capture solution for our customers.

Research and development activities are integral to our business and we follow a disciplined approach to investing our resources to create new technologies and solutions.

### ***Acquisition of Agribotix***

On August 28, 2018, we closed the transactions contemplated by the Asset Purchase Agreement (the "Purchase Agreement") dated July 25, 2018 with AgEagle Aerial, Inc., a wholly-owned subsidiary of the Company; Agribotix, LLC, a Colorado limited liability company ("Agribotix" or the "Seller"); and the other parties named therein. Pursuant to the Purchase Agreement, we acquired all right, title and interest in and to all assets owned by Agribotix and utilized in their business of providing integrated agricultural drone solutions and drone-enabled software technologies and services for precision agriculture, except for certain excluded assets as set forth in the Purchase Agreement. At closing, we also assumed certain commitments under various third-party contracts pursuant to the terms of the Purchase Agreement.

We believe that purchasing Agribotix's primary product, *FarmLens*<sup>TM</sup>, will benefit us and our shareholders by developing important vertically integrated products and services. *FarmLens* is a subscription cloud analytics service that processes data, primarily collected with a drone such as ours, and makes such data actionable by farmers and agronomists. *FarmLens* is currently sold by us as a subscription service and offered either standalone or in a bundle with drone platforms manufactured by leading drone providers like AgEagle, DJI and senseFly.

The *FarmLens* platform extends our reach as a business through key partnerships with, and direct integration into offerings by leading agricultural companies, including John Deere and The Climate Corporation, a subsidiary of Bayer. In October 2018, AgEagle announced that we were expanding our Agribotix's existing partnership with The Climate Corporation's *FieldView*<sup>TM</sup> platform, enabling farmers to share images from *FarmLens* to their *FieldView* accounts and compare them alongside other valuable metrics, including planting and yield data. To date, Agribotix has processed agricultural imagery for approximately 1.3 million acres of crops and analyzed data for over 50 different crop types from over 50 countries around the world.

In December 2018, we unveiled our plans to develop a *FarmLens Mobile* app, extending the numerous benefits of the *FarmLens* platform to mobile devices. The *FarmLens Mobile* app will be commercially launched toward the end of the second quarter 2019 and available for download on any iPhone, iPad or Android device.

## ***Our Sustainability Platform***

The negative impact of agriculture on both the environment and society has been widely documented with unsustainable farming practices serving to confound land conversion and habitat loss, wasteful water consumption, soil erosion and degradation, pollution and climate change. It has been reported that agricultural production is believed to be responsible for 70% of river and stream pollution from chemicals, silt and animal waste (source: Food and Agriculture Organization of the United Nations). Moreover, agriculture is the largest consumer of the Earth's available freshwater: 70% of withdrawals from watercourses and groundwater are for agricultural usage, three times more than 50 years ago. By 2050, the global water demand of agriculture is estimated to increase by a further 19% due to irrigational needs (source: GlobalAgriculture.org).

Left unchecked, many believe that farming practiced without care presents the greatest global threat to species and ecosystems, especially given that demand for more food - and healthier food - is rising exponentially. According to the World Resources Institute, our planet will need 70 percent more food to feed a global population of 9.6 billion by 2050. In view of looming environmental and social crises facing our planet, both consumer packaged goods companies and their supply chain partners recognize the need to accelerate their shift towards greater transparency in their sustainability practices and policies as they assume greater responsibility for mitigating the use of chemicals in crop production and preserving natural resources.

We believe AgEagle to be the nation's first drone-based aerial imagery company to utilize leading-edge data capture technology and customized analytics solutions to help promote and proactively support corporate and farming sustainability initiatives. In support of our efforts to promote our sustainability platform, in October 2018 we became a corporate partner of the Cool Farm Alliance (CFA), a non-profit organization promoting sustainability in the agriculture industry. Through the CFA's Cool Farm Tool, businesses can utilize farming data to collaborate and develop sustainability metrics that provide the necessary insights to decrease their impact on the environment. By combining AgEagle's technological capabilities and the unique data we can collect with the knowledge and expertise of the CFA team, we see an opportunity to measurably contribute to the establishment of a gold industry standard for sustainable agriculture.

In November 2018, we announced an agreement with one of the largest specialty crop producers in North America as our first customer on our sustainability platform and drone leasing program for the 2019 crop season. As part of the agreement, we are providing access to UAVs equipped with sensors for the growing season, along with access to data connected devices for farms covering thousands of acres in the United States. We are also setting up a network of soil moisture monitoring devices with rain gauges and soil sensors to provide in-depth data analytics at the field level. All of this is expected to culminate in a sustainability dashboard and scorecard that will provide data to assess and affirm soil health, water utilization efficiency and pest and disease control; which will, in turn, aid this specialty crop producer in showcasing its sustainability efforts and results to its customers and supply chain partners.

## ***Our Growth Strategy***

We intend to grow our business by achieving greater market penetration of the growing precision agriculture marketplace; by promoting our new service targeting the sustainable agriculture marketplace for the 2019 growing season; and by creating new, easier to use and higher value products that position AgEagle as a leading innovator and trusted solutions provider in the markets we serve. We may also elect to pursue additional opportunities in other industries outside of agriculture and its related areas.

Key components of our growth strategy include the following:

- **Build a strong worldwide distribution network to offer a best-in-class precision agriculture platform.** We believe we can establish our flying wing product and systems as leading technologies in the precision agriculture marketplace. We will work to identify and establish relationships with dealers and customers in key agricultural regions worldwide, which will help make it possible for every farmer in those markets to have access to the AgEagle platform. Potential distributors are spread across six continents, covering a majority of the world's major regions including the U.S., Canada, South America, Eastern and Western Europe, Southeast Asia and Oceania.

- **Launch and market our new UAV-based monitoring service for large food manufacturers desiring to achieve and maintain optimal sustainability practices on their farms.** We are in the process of launching a new service for the 2019 growing season targeted towards large food manufacturers that are being pressured by consumers to create food products with less chemicals that are more sustainably sourced. We believe our current technology, combined with other available third-party platforms/solutions via a well-defined modern RESTful API, will allow us to offer a product to these food manufacturers that will serve to accelerate business growth faster than if we just focused on growth opportunities within the precision agriculture marketplace.
- **Continue to explore partnerships with companies that can expand our offerings.** We intend to expand our product offerings by building relationships and partnerships with companies that have vertical, synergistic technologies. In addition, other technology alliances may include the acquisition or development of other electronics, software, sensors or more advanced aerial platforms. We are constantly meeting and in discussions with groups that could fill these roles and collaborate with us on new development ideas.
- **Support and expand our University Drone Program.** Subsequent to the end of 2018, we introduced our new University Drone Program providing for AgEagle's aerial imaging collection and data processing systems to be purchased and utilized by colleges and universities to enhance the curriculum of their agriculture technology departments – including in precision ag, agronomy, plant science and mapping, among other related study areas. In January 2019, we announced that both Arkansas State University-Newport (ASU) and Modesto Junior College (MJC) in California have teamed with our Company to provide students with hands-on training and experience properly operating drones, creating digital aerial maps through the AgEagle *FarmLens* platform, and using data collected to achieve sustainable farming objectives. We believe that our University Drone Program not only represents a new revenue channel for us, but it will serve as a powerful brand-building opportunity for AgEagle among those who are studying to become commercial growers, agronomists and precision and sustainability ag experts and specialists.
- **Deliver new and innovative solutions in the precision agriculture space.** Our research and development efforts are the foundation of our Company, and we intend to continue investing in our own innovations, pioneering new and enhanced products and solutions that enable us to satisfy our customers – both in response to and in anticipation of their needs. We believe that by investing in research and development, we can be a leader in delivering innovative products that address market needs within our current target markets, enabling us to create new opportunities for growth.
- **Pursue the expansion of the AgEagle platform of products and solutions into other industries besides agriculture.** We may investigate and pursue opportunities outside of agriculture as we continue to expand and grow the AgEagle platform. We are confident in the UAV products and solutions we offer today and believe that these products and solutions could provide other industries the same kind of optimization we are currently providing the agriculture industry. These industries have yet to be identified by the AgEagle team but may include verticals such as land surveying and scanning, insurance, inspections and search and rescue.

### ***Competitive Strengths***

We believe the following attributes and capabilities provide us with long-term competitive advantages:

- **Proprietary Technology and Trade Secrets** - We believe our unique design and in-house manufacturing of key aerospace components differentiates our product in the market place. We are confident that our UAVs are industry-leading in durability due to the lightweight laminated shell of the wing, which is made using a proprietary manufacturing process innovated over five years of research and development. This process, which hardens the material used to build the shell, allows the UAV to perform in harsh weather conditions (with wind speeds up to 30 miles per hour) and bring itself to an unassisted landing, all at a total weight of about six pounds. This design is an important trade secret, and we have non-disclosure agreements with our employees in order to keep it unique to our Company.

- **Product has Global Appeal** - We believe that our technology addresses a need for better data in the agriculture industry worldwide. Given our global distribution platform, we believe that we are well-positioned for our advanced products to be effectively marketed and sold to farmers worldwide.
- **Increased Margins for Farmers** - We believe our UAVs will directly enhance margins for our customers by reducing the amount of nutrients and chemicals needed to manage their farms. The software equipped on our UAVs deliver a high-quality aerial map upon completion of the flight, allowing the user to accurately identify the specific areas that are malnourished. This software is compatible with precision applicator tractors, which assist users in applying a precise amount of nutrients in only the areas it is needed.
- **Increased Transparency for Food Manufacturers** - We believe our UAVs and the data platform we continue to advance present us a unique opportunity to be one of the first companies to offer major food manufacturers a way to connect to the sustainable efforts being made by the farmers from whom they purchase ingredients for their food products. This would allow food manufacturers to confidently claim their food products are made with less chemicals on their packaging and in their marketing.
- **Empower Customers Through Our Self-Serve Platform** - Our UAVs are specially designed to provide users with a portable and easy to operate device, which can be controlled with a hand-held unit or tablet. Through our FarmLens™ platform, users will be able to plan and track an efficient flight path for their UAV. The UAVs are equipped with a camera and NIR filter whose images provide a holistic aerial view of the fields, along with meaningful data that is uploaded and delivered to the user within a very short time frame. As a result, this platform allows users to quickly detect any issues in their crops, which enables them to address such issues in a timely manner before any damage, or further damage, may affect their crops.
- **All Manufacturing of our Products is Completed in the United States** - As of today, we manufacture all of our products at our manufacturing facility in Neodesha, Kansas, which allows us to avoid many of the potential difficulties that may arise if our manufacturing facilities were otherwise located outside the U.S. In addition, all our UAVs are designed and assembled here in the U.S.

### ***Government Regulation***

Our products are subject to regulations of the FAA. On June 21, 2016, the FAA announced it had finalized the first operational rules for routine commercial use of small Unmanned Aerial Systems (UAS), which for purposes of the regulations are unmanned aircraft weighing less than 55 pounds that are conducting non-hobbyist operations. UAS operators-for-hire will have to pass a written test and be vetted by the TSA, but no longer need to be airplane pilot as current law requires. The rules went into effect on August 20, 2016. Among other things, the new regulations require

- preflight inspection by the remote pilot in command;
- minimum weather visibility of three miles from the control station;
- visual line-of-sight to the aircraft from the pilot and person manipulating the controls;
- prohibit flying the aircraft over any persons not directly participating in the operation, not under a covered structure or not inside a covered stationary vehicle;
- daylight or civil twilight operations (30 minutes before official sunrise to 30 minutes after official sunset, local time);



- maximum groundspeed of 100 mph (87 knots); and
- maximum altitude of 400 feet above ground level or, if higher than 400 feet above ground level, the aircraft must remain within 400 feet of a structure.

The new regulations also establish a remote pilot in command position. A person operating a small unmanned aircraft must either hold a remote pilot airman certificate with a small unmanned aircraft system rating or be under the direct supervision of a person who does hold a remote pilot certificate (remote pilot in command). A pilot's license is no longer required. To qualify for a remote pilot certificate, a person must: demonstrate aeronautical knowledge by either passing an initial aeronautical knowledge test at an FAA-approved knowledge testing center; or hold a part 61 pilot certificate other than student pilot, complete a flight review within the previous 24 months, and complete a small UAS online training course provided by the FAA. The person must also be vetted by the TSA and be at least 16 years old. Applicants will obtain a temporary remote pilot certificate upon successful completion of TSA security vetting. The FAA anticipates that it will be able to issue a temporary remote pilot certificate within 10 business days after receiving a completed remote pilot certificate application.

The regulations do not require the use of a visual observer. In addition, FAA airworthiness certification is not required. However, the remote pilot in command must conduct a preflight check of the small UAS to ensure that it is in a condition for safe operation.

Most of the restrictions can be waived by the FAA if the applicant demonstrates that his or her operation can safely be conducted under the terms of a certificate of waiver. The FAA maintains an online portal where a company or individual can apply for a certificate of waiver.

### ***Manufacturing***

As of today, we manufacture all of our products at our manufacturing facility in Neodesha, Kansas. We believe our current facilities are sufficient to adapt to our growth plans for the next two to three years and we have no current plans to expand our manufacturing capabilities.

### ***Suppliers***

Currently, we have strong relationships established with companies that provide many of the parts and services necessary to construct our advanced fixed wing and newly introduced UAVS drones, such as Botlink, MicaSense and 3DR. As our Company grows, we expect to pursue additional supplier relationships from which we can source cheaper and better supplies to stay ahead of the needs of the market.

Our flight planning and photo stitching software is provided by Pix4D and flight planning is QGroundControl an open source application. We have worked closely with software partners to optimize their software to work with our platform. We consider our relationships with Pix4D to be good; however, a loss of this relationship would have a short-term adverse effect on our product offerings and results of operations, as we look to an alternative provider for our photo stitching software.

### ***Revenue Mix***

The table below reflects our revenue for the periods indicated by product mix

<b>Type</b>	<b>For the Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Product Sales	87%	100%
Subscription Sales	13%	—

## ***Research and Development***

Research and development activities are part of our business and we follow a disciplined approach to investing our resources to create new technologies and solutions. A fundamental part of this approach is a well-defined screening process that helps us identify commercial opportunities that support current desired technological capabilities in the precision agriculture space. Our research includes the expansion of our wing products, providing for developing a portfolio of UAVs, as well as other solutions to problems with which agriculture professionals struggle.

## ***Risks Relating to Our Business***

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled “Risk Factors” found in Item 1A within this Annual Report on Form 10-K. Some of these risks include, but are not limited to, risks associated with:

- our need for additional funding;
- our ability to protect our intellectual property rights;
- rapid technological changes in the industry;
- governmental policies and regulations regarding our industry;
- our ability to maintain strong relationships with our customers, suppliers and distributors; and
- worldwide and domestic economic trends and financial market conditions, including an economic decline in the agricultural industry.

## ***Organizational History***

On March 26, 2018, our predecessor company, EnerJex Resources, Inc. (“EnerJex”), a Nevada company, consummated the transaction contemplated by the Agreement and Plan of Merger (the “Merger Agreement”), dated October 19, 2017, pursuant to which AgEagle Merger Sub, Inc., Nevada corporation and a wholly-owned subsidiary of EnerJex, merged with and into AgEagle Aerial Systems Inc., a privately held company organized under the laws of the state of Nevada (“AgEagle Sub”), with AgEagle Sub surviving as a wholly-owned subsidiary of EnerJex (the “Merger”). In connection with the Merger, EnerJex changed its name to AgEagle Aerial Systems Inc. (the “Company,” “we,” “our,” or “us”) and AgEagle Sub changed its name to “Eagle Aeria Inc.”

Prior to the Merger, EnerJex was formerly known as Millennium Plastics Corporation (“Millennium”) and was incorporated in the State of Nevada c March 31, 1999. In August 2006, Millennium acquired Midwest Energy, Inc., a Nevada corporation pursuant to a reverse merger. After such merger, Midwes Energy became a wholly-owned subsidiary, and as a result of such merger, the former Midwest Energy stockholders controlled approximately 98% of our outstanding shares of Common Stock. Midwest then changed its name to EnerJex Resources, Inc., (“EnerJex”) in connection with this merger, and i November 2007, it changed the name of Midwest Energy (one of our wholly-owned subsidiaries) to EnerJex Kansas, Inc. (“EnerJex Kansas”). All of i operations conducted prior to this merger were through EnerJex Kansas, Inc., Black Sable Energy, LLC, a Texas limited liability company (“Black Sable”) ar Black Raven Energy, Inc. a Nevada corporation (“Black Raven”). Our leasehold interests were held in our wholly-owned subsidiaries Black Sable, Workin Interest, LLC, EnerJex Kansas and Black Raven.

On July 25, 2018, we entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Eagle Aerial Systems, Inc., our wholly-owne subsidiary; Agribotix, LLC, a Colorado limited liability company (“Agribotix” or the “Seller”); and the other parties named therein. Pursuant to the Purchas Agreement, we acquired, on August 28, 2018, the closing date of such transaction, all right, title and interest in and to all assets owned by the Seller utilized in the Seller’s business of providing integrated agricultural drone solutions and drone-enabled software technologies and services for precision agriculture, except for certain excluded assets as set forth in the Purchase Agreement (the “Purchased Assets”). At closing, we assumed certain liabilities under various third-party contracts pursuant to the terms of the Purchase Agreement.

## **Our Headquarters**

Our principal executive offices are located at 117 S. 4<sup>th</sup> Street, Neodesha, Kansas 66757 and our telephone number is 316-202-2076. Our website address is [www.ageagle.com](http://www.ageagle.com). The information contained on, or that can be accessed through, our website is not a part of this Annual Report. We have included our website address in this Annual Report solely as an inactive textual reference.

## **Employees**

As of December 31, 2018, we employed 5 full-time and 1 part-time employee.

## **Intellectual Property**

We currently have a registered trademark on the AgEagle and *FarmLens* name and logo. We also plan to file provisional patents on certain aspects of our current and future technology. Finally, we consider our UAV manufacturing process to be a trade secret and have non-disclosure agreements with current employees to protect those and other trade secrets held by the Company.

## **Where You Can Find Additional Information**

The Company is subject to the reporting requirements under the Exchange Act. The Company files with, or furnishes to, the SEC quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports and will furnish its proxy statement. These filings are available free of charge on the Company's website, [www.ageagle.com](http://www.ageagle.com), shortly after they are filed with, or furnished to, the SEC. The SEC maintains an Internet website, [www.sec.gov](http://www.sec.gov) which contains reports and information statements and other information regarding issuers.

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

The risk factors discussed below could cause our actual results to differ materially from those expressed in any forward-looking statements. Although we have attempted to list comprehensively these important factors, we caution you that other factors may in the future prove to be important in affecting our results of operations. New factors emerge from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

The risks described below set forth what we believe to be the most material risks associated with the purchase of our Common Stock. Before you invest in our Common Stock, you should carefully consider these risk factors, as well as the other information contained in this prospectus.

## **Risks Related to Our Business and Industry**

***We have a limited operating history and there can be no assurance that we can achieve or maintain profitability.***

Through our wholly-owned subsidiary, Eagle Aerial Systems, Inc. (“AgEagle Sub”), we have been operating for approximately eight years. However, AgEagle Sub has only been in the UAV business for half of that time. We are currently in the business development stage and have limited commercial sales of our products and, accordingly, we cannot guarantee that we will become profitable. Moreover, even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may be unable to sustain or increase profitability and its failure to do so would adversely affect its business, including its ability to raise additional funds.

***We will need substantial additional funding and may be unable to raise capital when needed, which would force us to delay, curtail or eliminate one or more of our research and development programs or commercialization efforts.***

Our operations have consumed substantial amounts of cash since inception. We expect to continue to spend substantial amounts on product development. We will require additional funds to support continued research and development activities, as well as the costs of commercializing, marketing and selling any new products resulting from those research and development activities. We have based this estimate, however, on assumptions that may prove to be wrong, and we could spend available financial resources much faster than we currently expect.

Until such time, if ever, that we can generate a sufficient amount of product revenue and achieve profitability, we expect to seek to finance future cash needs through equity or debt financings or corporate collaboration and strategic arrangements. We currently have no other commitments or agreements relating to any of these types of transactions and cannot be certain that additional funding will be available on acceptable terms, or at all. If we are unable to raise additional capital, we may have to delay, curtail or eliminate commercializing, marketing and selling one or more of our products.

***Product development is a long, expensive and uncertain process.***

The development of both UAV software and hardware is a costly, complex and time-consuming process, and investments in product development often involve a long wait until a return, if any, can be achieved on such investment. We might face difficulties or delays in the development process that will result in our inability to timely offer products that satisfy the market, which might allow competing products to emerge during the development and certification process. We anticipate making significant investments in research and development relating to our products and services, but such investments are inherently speculative and require substantial capital expenditures. Any unforeseen technical obstacles and challenges that we encounter in the research and development process could result in delays in or the abandonment of product commercialization, may substantially increase development costs, and may negatively affect our results of operations.

***Successful technical development of our products does not guarantee successful commercialization.***

Although we have successfully completed the technical development of our two original UAV systems, as well as the new RX-60 and RX-4 systems, we may still fail to achieve commercial success for a number of reasons, including, among others, the following:

- failure to obtain the required regulatory approvals for their use;
- rapid evolution of the product due to new technologies;
- prohibitive production costs;
- competing products;
- lack of product innovation;
- unsuccessful distribution and marketing through our sales channels;
- insufficient cooperation from our supply and distribution partners; and
- product development that does not align with or meet customer needs.

Our success in the market for the products and services we develop will depend largely on our ability to properly demonstrate their capabilities. Upon demonstration, our platform of systems may not have the capabilities they were designed to have or that we believed they would have. Furthermore, even if we do successfully demonstrate our products' capabilities, potential customers may be more comfortable doing business with a competitor; or may not feel there is a significant need for the products we develop. As a result, significant revenue from our current and new product investments may not be achieved for a number of years, if at all.

***If we fail to protect our intellectual property rights, we could lose our ability to compete in the marketplace.***

Our intellectual property and proprietary rights are important to our ability to remain competitive and successful in the development of our products and our business. Patent protection can be limited and not all intellectual property can be patented. We expect to rely on a combination of patent, trademark, copyright, and trade secret laws as well as confidentiality agreements and procedures, non-competition agreements and other contractual provisions to protect our intellectual property, other proprietary rights and our brand. As we currently do not have any granted patent, trademark or copyright protections, we must rely on trade secrets and nondisclosure agreements, which provide limited protections. Our intellectual property rights may be challenged, invalidated or circumvented by third parties. We may not be able to prevent the unauthorized disclosure or use of our technical knowledge or other trade secrets by employees or competitors.

Furthermore, our competitors may independently develop technologies and products that are substantially equivalent or superior to our technologies and products, which could result in decreased revenues. Litigation may be necessary to enforce our intellectual property rights, which could result in substantial costs to us and substantial diversion of management attention. If we do not adequately protect our intellectual property, our competitors could use it to enhance their products. Our inability to adequately protect our intellectual property rights could adversely affect our business and financial condition, and the value of our brand and other intangible assets.

***Other companies may claim that we infringe their intellectual property, which could materially increase our costs and harm our ability to generate future revenue and profit.***

We do not believe that our technologies infringe on the proprietary rights of any third party, however claims of infringement are becoming increasingly common and third parties may assert infringement claims against us. It may be difficult or impossible to identify, prior to receipt of notice from a third party, the trade secrets, patent position or other intellectual property rights of a third party, either in the United States or in foreign jurisdictions. Any such assertion may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. If we are required to obtain licenses to use any third-party technology, we would have to pay royalties, which may significantly reduce any profit on our products. In addition, any such litigation could be expensive and disruptive to its ability to generate revenue or enter into new market opportunities. If any of our products were found to infringe other parties' proprietary rights and we are unable to come to terms regarding a license with such parties, we may be forced to modify our products to make them non-infringing or to cease production of such products altogether.

***The nature of our business involves significant risks and uncertainties that may not be covered by insurance or indemnification.***

We have developed and sold products and services in circumstances where insurance or indemnification may not be available; for example, in connection with the collection and analysis of various types of information. In addition, our products and services raise questions with respect to issues of civil liberties, intellectual property, trespass, conversion and similar concepts, which may create legal issues. Indemnification to cover potential claims or liabilities resulting from the failure of any technologies that we develop or deploy may be available in certain circumstances but not in others. Currently, the unmanned aerial systems industry lacks a formative insurance market. We may not be able to maintain insurance to protect against all operational risks and uncertainties that our customers confront. Substantial claims resulting from an accident, product failure, or personal injury or property liability arising from our products and services in excess of any indemnity or insurance coverage (or for which indemnity or insurance coverage is not available or is not obtained) could harm our financial condition, cash flows and operating results. Any accident, even if fully covered or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively.

***We may incur substantial product liability claims relating to our products.***

As a manufacturer of UAV products, and with aircraft and aviation sector companies under increased scrutiny, claims could be brought against us if use or misuse of one of our UAV products causes, or merely appears to have caused, personal injury or death. In addition, defects in our products may lead to other potential life, health and property risks. Any claims against us, regardless of their merit, could severely harm our financial condition, strain our management and other resources. We are unable to predict if we will be able to obtain or maintain product liability insurance for any products that may be approved for marketing.

***If we not able to recruit and retain key management, technical and sales personnel, our business would be negatively affected.***

For our business to be successful, we need to attract and retain highly qualified technical, management and sales personnel. The failure to recruit additional key personnel when needed, with specific qualifications, on acceptable terms and with an ability to maintain positive relationships with our partners, might impede our ability to continue to develop, commercialize and sell our products and services. To the extent the demand for skilled personnel exceeds supply, we could experience higher labor, recruiting and training costs in order to attract and retain such employees. The loss of any members of our management team may also delay or impair achievement of our business objectives and result in business disruptions due to the time needed for their replacements to be recruited and become familiar with our business. We face competition for qualified personnel from other companies with significantly more resources available to them and thus may not be able to attract the level of personnel needed for our business to succeed.

***If our proposed marketing efforts are unsuccessful, we may not earn enough revenue to become profitable.***

Our future growth depends on our gaining market acceptance and regular production orders for our products and services. Our marketing plan includes attendance at trade shows, making private demonstrations, advertising, promotional materials and advertising campaigns in print and/or broadcast media. In the event we are not successful in obtaining a significant volume of orders for our products and services, we will face significant obstacles in expanding our business. We cannot give any assurance that our marketing efforts will be successful. If they are not, revenue may not be sufficient to cover our fixed costs and we may not become profitable.

***Our operating margins may be negatively impacted by reduction in sales or products sold.***

Expectations regarding future sales and expenses are largely fixed in the short term. We maintain raw materials and finished goods at a volume we feel is necessary for anticipated distribution and sales. Therefore, we may not be able to reduce costs in a timely manner to compensate for any unexpected shortfalls between forecasted and actual sales.

***We face a significant risk of failure because we cannot accurately forecast our future revenues and operating results.***

The rapidly changing nature of the markets in which we compete makes it difficult to accurately forecast our revenues and operating results. Furthermore, we expect our revenues and operating results to fluctuate in the future due to a number of factors, including the following:

- the timing of sales of our products;
- unexpected delays in introducing new products;
- increased expenses, whether related to sales and marketing, or administration; and
- costs related to possible acquisitions of businesses.

***Rapid technological changes may adversely affect the market acceptance of our products and could adversely affect our business, financial condition and results of operations.***

The market in which we compete is subject to technological changes, introduction of new products, change in customer demands and evolving industry standards. Our future success will depend upon our ability to keep pace with technological developments and to timely address the increasingly sophisticated needs of our customers by supporting existing and new technologies and by developing and introducing enhancements to our current products and new products. We may not be successful in developing and marketing enhancements to our products that will respond to technological change, evolving industry standards or customer requirements. In addition, we may experience difficulties internally or in conjunction with key vendors and partners that could delay or prevent the successful development, introduction and sale of such enhancements and such enhancements may not adequately meet the requirements of the market and may not achieve any significant degree of market acceptance. If release dates of our new products or enhancements are delayed or, if when released, they fail to achieve market acceptance, our business, operating results and financial condition may be adversely affected.

***Our products are subject to regulations of the Federal Aviation Administration (the “FAA”).***

In August 2016, regulations from the FAA relating to the commercial use of UAVs in the United States became law. As a result, users of systems like ours are only required to take a knowledge exam at an approved FAA testing station similar to an automobile driver’s license exam. Prior to the new law, users had to hold a pilot’s license, have an observer present and file various documents before flights. In the event new FAA rules or regulations are promulgated or current rules are revised that may negatively affect commercial usage of our UAVs, such rules and laws could adversely disrupt our operations and overall sales.

***Our future results may be affected by various legal and regulatory proceedings and legal compliance risks, including those involving product liability, antitrust, intellectual property, environmental, regulations of the FAA, the U.S. Foreign Corrupt Practices Act and other anti-bribery, anti-corruption, or other matters.***

The outcome of any future legal proceedings may differ from our expectations because the outcomes of litigation, including regulatory matters, are often difficult to reliably predict. Various factors or developments can lead us to change current estimates of liabilities and related insurance receivables where applicable; or make such estimates for matters previously not susceptible of reasonable estimates, such as a significant judicial ruling or judgment, a significant settlement, significant regulatory developments or changes in applicable law. A future adverse ruling, settlement or unfavorable development could result in future charges that could have a material adverse effect on our results of operations or cash flows in any particular period. We are not currently involved in or subject to any such legal or regulatory proceedings, but we cannot guarantee that such proceedings may not occur in the future.

***If we do not receive the governmental approvals necessary for the sales or export of our products, or if our products are not compliant in other countries, our sales may be negatively impacted. Similarly, if our suppliers and partners do not receive government approvals necessary to export their products or designs to us, our revenues may be negatively impacted and we may fail to implement our growth strategy.***

A license may be required in the future to initiate marketing activities. We may also be required to obtain a specific export license for any hardware exported. We may not be able to receive all the required permits and licenses for which we may apply in the future. If we do not receive the required permits for which we apply, our revenues may be negatively impacted. In addition, if government approvals required under these laws and regulations are not obtained, or if authorizations previously granted are not renewed, our ability to export our products could be negatively impacted, which may have a negative impact on our revenues and a potential material negative impact on our financial results.

***We may pursue additional strategic transactions in the future, which could be difficult to implement, disrupt our business or change our business profile significantly.***

We intend to consider additional potential strategic transactions, which could involve acquisitions of businesses or assets, joint ventures or investments in businesses, products or technologies that expand, complement or otherwise relate to our current or future business. We may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. Should our relationships fail to materialize into significant agreements, or should we fail to work efficiently with these companies, we may lose sales and marketing opportunities and its business, results of operations and financial condition could be adversely affected.

These activities, if successful, create risks such as, among others: (i) the need to integrate and manage the businesses and products acquired with our own business and products; (ii) additional demands on our resources, systems, procedures and controls; (iii) disruption of our ongoing business; (iv) potential unknown or unquantifiable liabilities associated with the target company; and (v) diversion of management's attention from other business concerns. Moreover, these transactions could involve: (a) substantial investment of funds or financings by issuance of debt or equity securities; (b) substantial investment with respect to technology transfers and operational integration; and (c) the acquisition or disposition of product lines or businesses. Also, such activities could result in one-time charges and expenses and have the potential to either dilute the interests of our existing shareholders or result in the issuance of, or assumption of debt. Such acquisitions, investments, joint ventures or other business collaborations may involve significant commitments of financial and other resources. Any such activities may not be successful in generating revenue, income or other returns, and any resources we committed to such activities will not be available to us for other purposes. Moreover, if we are unable to access the capital markets on acceptable terms or at all, we may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. Our inability to take advantage of growth opportunities or address risks associated with acquisitions or investments in businesses may negatively affect our operating results.

Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce our earnings. Future acquisitions or joint ventures may not result in their anticipated benefits and we may not be able to properly integrate acquired products, technologies or businesses with our existing products and operations or successfully combine personnel and cultures. Failure to do so could deprive us of the intended benefits of those acquisitions.

***Breaches of network or information technology security could have an adverse effect on our business.***

Cyber-attacks or other breaches of network or IT security may cause equipment failures or disrupt our systems and operations. We may be subject to attempts to breach the security of our networks and IT infrastructure through cyber-attack, malware, computer viruses and other means of unauthorized access. The potential liabilities associated with these events could exceed the insurance coverage we maintain. Our inability to operate our facilities as a result of such events, even for a limited period of time, may result in significant expenses or loss of market share to other competitors in the defense electronics market. In addition, a failure to protect the privacy of customer and employee confidential data against breaches of network or IT security could result in damage to our reputation. To date, we have not been subject to cyber-attacks or other cyber incidents which, individually or in the aggregate, resulted in a material adverse effect on our business, operating results and financial condition.



***The preparation of our financial statements involves use of estimates, judgments and assumptions, and our financial statements may be materially affected if our estimates prove to be inaccurate.***

Financial statements prepared in accordance with generally accepted accounting principles in the United States require the use of estimates judgments, and assumptions that affect the reported amounts. Different estimates, judgments, and assumptions reasonably could be used that would have a material effect on the financial statements, and changes in these estimates, judgments, and assumptions are likely to occur from period to period in the future. These estimates, judgments, and assumptions are inherently uncertain, and, if they prove to be wrong, then we face the risk that charges to income will be required.

***Our results could be adversely affected by natural disasters, public health crises, political crises, or other catastrophic events.***

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, and other adverse weather and climate conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, labor unrest, and other political instability; or other catastrophic events, such as disasters occurring at our manufacturing facilities, could disrupt our operations or the operations of one or more of our vendors. In particular, these types of events could impact our product supply chain from or to the impacted region and could impact our ability to operate. In addition, these types of events could negatively impact consumer spending in the impacted regions. Disasters occurring at our manufacturing facilities could impact our reputation and our customers' perception of our brands. To the extent any of these events occur, our operations and financial results could be adversely affected.

***Worldwide and domestic economic trends and financial market conditions, including an economic decline in the agricultural industry, may adversely affect our operating performance.***

We intend to distribute in a number of countries and derive revenues from both inside and outside the United States. We expect our business will be subject to global competition and may be adversely affected by factors in the United States and other countries that are beyond our control, such as disruptions in financial markets, economic downturns in the form of either contained or widespread recessionary conditions, elevated unemployment levels, sluggish or uneven recovery, in specific countries or regions, or in the agricultural industry; social, political or labor conditions in specific countries or regions; natural and other disasters affecting our operations or our customers and suppliers; or adverse changes in the availability and cost of capital, interest rates, tax rates, or regulations in the jurisdictions in which we operate. Unfavorable global or regional economic conditions, including an economic decline in the agricultural industry, could adversely impact our business, liquidity, financial condition and results of operations.

***For certain of the components included in our products there are a limited number of suppliers we can rely upon and if we are unable to obtain these components when needed we could experience delays in the manufacturing of our products and our financial results could be adversely affected.***

We acquire most of the components for the manufacture of our products from suppliers and subcontractors. We have not entered into any agreements or arrangements with any potential suppliers or subcontractors. Suppliers of some of the components may require us to place orders with significant lead-times to assure supply in accordance with its manufacturing requirements. Our present lack of working capital may cause us to delay the placement of such orders and may result in delays in supply. Delays in supply may significantly hurt our ability to fulfill our contractual obligations and may significantly hurt our business and result of operations. In addition, we may not be able to continue to obtain such components from these suppliers on satisfactory commercial terms. Disruptions of its manufacturing operations would ensue if we were required to obtain components from alternative sources, which would have an adverse effect on our business, results of operations and financial condition.

***We indemnify our officers and directors against liability to us and our security holders, and such indemnification could increase our operating costs.***

Our bylaws allow us to indemnify our officers and directors against claims associated with carrying out the duties of their offices. Our bylaws also allow us to reimburse them for the costs of certain legal defenses. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our officers, directors or control persons, the SEC has advised that such indemnification is against public policy and is therefore unenforceable.

#### **Risks Associated with Our Capital Stock**

***One of our stockholders beneficially owns a significant percentage of our outstanding capital stock and will have the ability to control our affairs.***

Our Chairman of the Board and President, Bret Chilcott, currently owns approximately 46.2% of our issued and outstanding capital stock. By virtue of his holdings, he may have significant influence over the election of the members of our board of directors, our management and our affairs, and may make it difficult for us to consummate corporate transactions such as mergers, consolidations or the sale of all or substantially all of our assets that may be favorable from our standpoint or that of our other stockholders.

***The market price of our securities may be volatile and may fluctuate in a way that is disproportionate to our operating performance.***

Our securities may experience substantial volatility as a result of a number of factors, including, among others:

- sales or potential sales of substantial amounts of our Common Stock;
- announcements about us or about our competitors or new product introductions;
- developments concerning our product manufacturers;
- the loss or unanticipated underperformance of our global distribution channel;
- litigation and other developments relating to our patents or other proprietary rights or those of our competitors;
- conditions in the UAV industry;
- governmental regulation and legislation;
- variations in our anticipated or actual operating results;
- changes in securities analysts' estimates of our performance, or our failure to meet analysts' expectations;
- foreign currency values and fluctuations; and
- overall political and economic conditions.

Many of these factors are beyond our control. The stock markets have historically experienced substantial price and volume fluctuations. These fluctuations often have been unrelated or disproportionate to the operating performance of these companies. These broad market and industry factors could reduce the market price of our securities, regardless of our actual operating performance.

***We do not intend to pay cash dividends. As a result, capital appreciation, if any, will be your sole source of gain.***

We intend to retain future earnings, if any, to fund the development and growth of our business. In addition, the terms of existing and future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, from the sale of our Common Stock will be your sole source of gain for the foreseeable future.

***Provisions in our articles of incorporation, our by-laws and Nevada law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our Common Stock.***

Provisions of our Articles of Incorporation, our By-Laws and Nevada law may have the effect of deterring unsolicited takeovers or delaying or preventing a change in control of our company or changes in our management, including transactions in which our stockholders might otherwise receive a premium for their shares over then current market prices. In addition, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. These provisions include:

- the inability of stockholders to call special meetings; and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval, which could include the right to approve an acquisition or other change in our control or could be used to institute a rights plan, also known as a poison pill, that would work to dilute the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors.

The existence of the forgoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our Common Stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your Common Stock in an acquisition.

***FINRA sales practice requirements may limit a stockholder's ability to buy and sell our securities.***

The Financial Industry Regulatory Authority, Inc. ("FINRA") has adopted rules that a broker-dealer must have reasonable grounds for believing that an investment recommended to a customer is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for certain customers. FINRA requirements will likely make it more difficult for broker-dealers to recommend that their customers buy our Common Stock, which may have the effect of reducing the level of trading activity in the shares, resulting in fewer broker-dealers may be willing to make a market in our shares, potentially reducing a stockholder's ability to resell our securities.

***If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our shares or if our results of operations do not meet their expectations, the price of our securities and trading volume could decline.***

The trading market for our securities will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of these analyst's cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, the price of our securities could decline.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

We have one leased facility located at 117 South 4<sup>th</sup> Street, Neodesha, Kansas 66757. This serves as the corporate headquarters and manufacturing facility. The facility is a lease of 4,000 square feet at a cost of \$500 per month. Monthly rent increases \$100 every year until the expiration of the lease in September 30, 2018. On August 22, 2018, the Company executed an amendment to the lease to renew the term of the lease for an additional one year terminating on September 30, 2019 with no option to renew unless approved by our landlord the city commission of Neodesha.

As a result of the Agribotix acquisition, we assumed a lease for offices in Boulder, Colorado for \$2,000 per month. The lease, providing for 1,000 square feet of office space, ends on May 31, 2019 and has an option to terminate at any time with a 30-day prior notice period.

We believe that our existing facilities are suitable and adequate to meet our current business requirements.

**ITEM 3. LEGAL PROCEEDINGS**

**Legal Proceedings**

From time to time, we may become involved in lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Although we currently maintain liability insurance coverage intended to cover professional liability and certain other claims, we cannot assure that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. Liabilities in excess of our insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on our business, financial condition and results of operations.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES**

Our Common Stock is currently quoted on the NYSE American under the symbol “UAVS.”

The following table sets forth, for the period indicated, the quarterly high and low per share sales prices (per share of our Common Stock for each quarter during our last two fiscal years as reported by the New York Stock Exchange.

<b>2019</b>	<b>High</b>	<b>Low</b>
First Quarter(through March 26, 2019)	\$ .47	\$ .45
<b>2018</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 5.65	\$ 3.55
Second Quarter	\$ 2.04	\$ 1.78
Third Quarter	\$ 1.73	\$ 1.62
Fourth Quarter	\$ 0.59	\$ 0.53
<b>2017</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 9.48	\$ 8.55
Second Quarter	\$ 8.38	\$ 7.13
Third Quarter	\$ 7.57	\$ 7.50
Fourth Quarter	\$ 5.75	\$ 4.95

As of March 19, 2019, we had approximately 378 individual shareholders of record of our Common Stock. We believe that the number of beneficial owners of our Common Stock is greater than the number of record holders, because a number of shares of our Common Stock is held through brokerage firms in “street name.”

**Dividend Policy**

We do not intend to pay cash dividends to our stockholders in the foreseeable future. We currently intend to retain all of our available funds and future earnings, if any, to finance the growth and development of our business. Any future determination related to our dividend policy will be made at the discretion of our Board of Directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors our board of directors may deem relevant.

**Equity Compensation Plan**

The following table provides information as of December 31, 2018 about our equity compensation plan and arrangements .

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	1,287,103	\$ 0.46	712,897
Equity compensation plans not approved by security holders	207,055	0.06	—
Total	1,494,158	\$ 0.46	712,897

**Recent Sales of Unregistered Securities**

None

**Purchases of Equity Securities by Issuer and Its Affiliates**

None.

**ITEM 6. SELECTED FINANCIAL DATA**

This item is not required for Smaller Reporting Companies.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described. This discussion should be read in conjunction with our Consolidated Financial Statements and the related notes included in Item 8 of this Form 10-K. This discussion contains forward-looking statements. Please see the explanatory note concerning "Forward-Looking Statements" in Part I of this Annual Report on Form 10-K and Item 1A. Risk Factors for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. The operating results for the periods presented were not significantly affected by inflation.

### *Company Overview*

On March 26, 2018, EnerJex Resources, Inc. ("EnerJex"), a Nevada company, consummated the transactions contemplated by the Agreement and Plan of Merger (the "Merger Agreement"), dated October 19, 2017, pursuant to which AgEagle Merger Sub, Inc., a Nevada corporation and a wholly-owned subsidiary of EnerJex, merged with and into AgEagle Aerial Systems Inc., a privately held company organized under the laws of the state of Nevada ("AgEagle Sub"), with AgEagle Sub surviving as a wholly-owned subsidiary of EnerJex (the "Merger"). In connection with the Merger, EnerJex changed its name to AgEagle Aerial Systems Inc. (the "Company," "we," "our," or "us") and AgEagle Sub changed its name to "AgEagle Aerial, Inc." Our Common Stock will continue to trade on the NYSE American under its new symbol "UAVS" commencing on March 27, 2018. As a result of the Merger, through AgEagle Sub, we are now engaged in the business of designing, developing, producing, distributing and supporting technologically-advanced small unmanned aerial vehicles (UAVs or drones) that we supply to the precision agriculture industry. Additionally, we recently announced a new service offering using our leased UAVs and associated data processing services for the sustainable agriculture industry.

We are headquartered in Neodesha, Kansas, and are a manufacturer of unmanned aerial vehicles focused on providing actionable data to the precision agriculture industry. We design, produce, distribute and support technologically-advanced small unmanned aerial vehicles (UAVs or drones) that we offer for sale commercially to the precision agriculture industry. Additionally, we recently announced a new service offering using our UAVs and associated data processing services for the sustainable agriculture industry and aerial imaging processing services.

Historically, AgEagle derived the majority of its revenue from the sale of its AgEagle Classic and RAPID systems. However, as a result of the development of our new product, the RX-60 and RX-48, we will no longer manufacture and distribute our previous two systems. We believe that the UAV industry is currently in the early stages of development and has significant growth potential. Additionally, we believe that some of the innovative potential products in our research and development pipeline will emerge and gain traction as new growth platforms in the future, creating market opportunities.

We deliver advanced solutions utilizing our proprietary technologies and trade secrets that help farmers, agronomists and other precision agricultural professionals operate more effectively and efficiently. Our UAVs were initially specifically designed to help farmers increase profits by pinpointing areas where nutrients or chemicals need to be applied, as opposed to traditional widespread land application processes, thus decreasing input costs, reducing the amount of chemicals applied and potentially increasing yields. Our products are designed for busy agriculture professionals who do not have the time to process images on their computers, which some of our competitors require.

In addition to UAV sales, in late 2018, we introduced a new drone-leasing program, alleviating farmers and agribusinesses from significant upfront costs associated with purchasing a drone, while also relieving them from ongoing drone maintenance and support requirements. Additionally, the new program provides the option of engaging a trained AgEagle pilot to operate the drone and manage the entire image collection process, creating a truly turnkey aerial imagery capture solution for our customers.

Our business is seasonal in nature and, as a result, our revenue and expenses and associated revenue trends fluctuate from quarter to quarter. For example, we anticipate that the second and third quarter of each year will generally represent our strongest quarter in terms of customer contracts. Conversely, during the winter months and the end of year holidays, when the growing season is not on-going, we generally anticipate lower customer contracts. In addition, our net revenue is impacted by our marketing strategies, including the timing and amount of paid advertising and promotional activity. We also anticipate that our net revenue will be impacted by the timing and success of our ongoing product expansion.

Research and development activities are integral to our business and we follow a disciplined approach to investing our resources to create new technologies and solutions. With the welcoming of our new CEO, Mr. Barrett Mooney, in 2018, we continue to invest in our future success. Under his leadership, we intend to expand our software offerings and leverage his experience in building scalable digital solutions promoting sustainability and software analytics.

On August 28, 2018, we closed the transactions contemplated by the Asset Purchase Agreement (the “Purchase Agreement”) dated July 25, 2018 with AgEagle Aerial, Inc., a wholly-owned subsidiary of the Company, Agribotix, LLC, a Colorado limited liability company (“Agribotix” or the “Seller”), and the other parties named therein. Pursuant to the Purchase Agreement, we acquired all right, title and interest in and to all assets owned by the Agribotix utilized in their business of providing integrated agricultural drone solutions and drone-enabled software technologies and services for precision agriculture, except for certain excluded assets as set forth in the Purchase Agreement. At closing, we also assumed certain commitments under various third-party contracts pursuant to the terms of the Purchase Agreement.

We believe that purchasing Agribotix’s primary product *FarmLens*<sup>™</sup>, a subscription cloud analytics service that processes data, primarily collected with a drone such as ours, and makes such data usable by farmers and agronomists it will benefit us and our shareholders by developing important vertically integrated products and services. *FarmLens* is currently sold by us as a subscription and offered either standalone or in a bundle with major drone platforms manufactured by leading drone providers like AgEagle, DJI, and senseFly.

The *FarmLens* platform extends our reach as a business by partnering with and directly integrating into offerings by leading agricultural companies like John Deere’s Operations Center and The Climate Corporation’s FieldView. To date, Agribotix has processed agricultural imagery for over 50 different crop types from over 50 countries around the world.

### **Critical Accounting Policies and Estimates**

Our management’s discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our most critical estimates include those related to revenue recognition, inventories and reserves for excess and obsolescence, accounting for stock-based awards, and income taxes. On an ongoing basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting estimates affect our more significant judgments and estimates used in preparing our consolidated financial statements. Please see Note 2 to our consolidated financial statements, which are included in Item 8 “Financial Statements and Supplementary Data” of this Annual Report, for our Summary of Significant Accounting Policies. There have been no material changes made to the critical accounting estimates during the periods presented in the consolidated financial statements

### ***Revenue Recognition***

Revenue is recognized when earned. Our revenue recognition policies are in compliance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) Topic 606, Revenue from Contracts with Customers, and the Securities and Exchange Commission Staff Accounting Bulletin No. 101 and 104. This updated guidance supersedes the current revenue recognition guidance, including industry-specific guidance. The updated guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard provides a single set of guidelines for revenue recognition to be used across all industries and requires additional disclosures. It is effective for annual and interim reporting periods beginning after December 15, 2017.

Topic 606 requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services and recognize revenue under the new standard as costs are incurred. Under previous U.S. generally accepted accounting principles (GAAP), revenue was generally recognized when deliveries were made, performance milestones were attained, or as costs were incurred. The new standard accelerates the timing of when the revenue is recognized, however, it does not change the total amount of revenue recognized on these contracts. The new standard does not affect revenue recognition for purposes of the Company’s sales as each of the Company’s revenue transactions represent a single performance obligation that is satisfied at a point time or monthly subscription fees which are recognized ratably over the subscription period, as defined in the new ASU. Accordingly, the Company recognizes revenue for small UAS product contract with customers at the point in time when the transfer of control passes to the customer, which is generally when title and risk of loss transfer. The Company adopted the updated guidance effective January 1, 2018 using the full retrospective method, however the new standard did not have a material impact on our consolidated financial position and consolidated results of operations, as it did not change the manner or timing of recognizing revenue on a majority of our revenue transactions.

### ***Goodwill***

We review the recoverability of goodwill whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable or on an annual basis. The estimated future cash flows are based upon, among other things assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. As of December 31, 2018, there have been no events or changes in circumstances that indicate that it is more likely than not that a goodwill impairment has occurred since assessment date of August 2018.

### ***Intangible Assets – Acquired in Business Combinations***

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocate the purchase price of each acquired business to our respective net tangible and intangible assets. Acquired intangible assets include: customer relationships and trade names. We use valuation techniques to value these intangibles assets, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires us to make various assumptions and estimates including projected revenue, gross margins, operating costs, growth rates, useful lives and discount rates Intangible assets are amortized over their estimated useful lives using the straight-line method which approximates the pattern in which the economic benefits are consumed.

### ***Share-Based Compensation Awards***

The value we assign to the options that we issue is based on the fair market value as calculated by the Black-Scholes pricing model. To perform a calculation of the value of our options, we determine an estimate of the volatility of our stock. We need to estimate volatility because there has not been enough trading of our stock to determine an appropriate measure of volatility. We believe our estimate of volatility is reasonable, and we review the assumptions used to determine this whenever we issue a new equity instruments. If we have a material error in our estimate of the volatility of our stock, our expenses could be understated or overstated. All share-based awards are expensed on a straight-line basis over the vesting period of the options.



## ***Income Taxes***

We are required to estimate our income taxes, which includes estimating our current income taxes as well as measuring the temporary differences resulting from different treatment of items for tax and accounting purposes. We currently have significant deferred assets, which are subject to periodic recoverability assessments. Realizing our deferred tax assets principally depends on our achieving projected future taxable income. We may change our judgments regarding future profitability due to future market conditions and other factors, which may result in recording a valuation allowance against those deferred tax assets.

We followed the guidance in SEC Staff Accounting Bulletin 118 (“SAB 118”), which provides additional clarification regarding the application of ASC Topic 740 in situations where we do not have the necessary information available, prepared, or analyzed in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act of 2017 (the “Tax Act”) for the reporting period in which the Act was enacted. SAB 118 provides for a measurement period beginning in the reporting period that includes the Act’s enactment date and ending when the Company has obtained, prepared, and analyzed the information needed in order to complete the accounting requirements but in no circumstances should the measurement period extend beyond one year from the enactment date.

## **Results of Operations**

### ***Year Ended December 31, 2018 as Compared to Year Ended December 31, 2017***

During the year ended December 31, 2018, we recorded revenues of \$107,813 compared to revenues of \$116,035 for the same period in 2017, a 7% decrease. The decrease was due to a shift in the drone industry from do-it-yourself, early adopter farmers to a more services-oriented model whereby independent agronomists provided prescriptions for the application of chemicals based on data they collect through aerial imagery and drones. The Company is in the process of addressing this change in the market through strategic acquisitions and the launch of a service-oriented model toward sustainable markets as result of the recent infusion of operating capital and significant reduction of debt.

During the year ended December 31, 2018, cost of sales totaled \$61,680, a \$31,679 or 34% decrease as compared to \$93,359 in the year ended December 31, 2017. We had a gross profit of \$46,133 or 43% during the year ended December 31, 2018 compared to \$22,677 or 20% for the comparable period in 2017, resulting in an increase in our profit margins for the year. There were two main contributors to the decrease in our cost of sales resulting in the increase in our gross margins: 1) we focused on selling our UAVS products without cellular connectivity resulting in a much lower cost of manufacturing of our drones and instead utilized the *FarmLens* platform for purposes of processing the imagery versus the selling our drones with cellular connectivity and 2) we did not record any additional amounts to our obsolescence reserve as we did not believe it to be necessary once we conducted our year-end inventory observation procedures. We also had some subscription-based sales for the quarter of 2018 that although a small amount of revenue resulted in much higher profit margins to our business.

We recorded total operating expenses of \$2,106,732 during 2018, a 206% increase as compared to operating expenses of \$689,539 in the same period of 2017. Our operating expense are comprised of general and administrative costs, professional fee and selling costs. General and administrative expenses totaled \$1,333,371 in 2018 compared to \$247,837 in 2017, an increase of 438%, due to more insurance, financial filing fees and investor relations in connection with on-going expenses related to us being publically traded. We also had additional general and administrative costs related to an increase in salary expense for new and existing employees along with stock compensation costs for employees and directors due to the issuance of options. Lastly as part of our acquisition of Agribotix we recorded amortization expense related to the intangibles acquired and new software costs incurred to support the business. Professional fees totaling \$696,222 in 2018 were expenses incurred for legal and accounting, compared to \$410,698 in 2017 which related to increased legal, audit, accounting and tax services associated with the in connection with the reverse merger completed on March 26, 2018 and the acquisition of Agribotix and the on-going expenses related to being publically traded. Selling expenses of \$77,139 in 2018 compared to \$31,004 in 2017 representing an increase of 171% due to more travel expenses and website investment made to market our new business model.

Other income for the year ended December 31, 2018 was \$13,333 and \$12,458 for the year ended 2017, representing a 7% increase due the reversal of dealer termination costs accrued from prior periods as a result of all liabilities having been fully satisfied during the period.

Interest expense for the year ended December 31, 2018 was \$32,417 as compared to \$142,810 in the prior year. The decrease was due to the conversion of all debt, except for a promissory note assumed as a result of the EnerJex merger and the amortization of debt discounts and warrant expense in 2017 totaling \$34,082 that were not recorded in 2018.

Our net loss was \$2,079,683 in 2018. This represents a \$1,282,468 increase from our net loss of \$797,215 in 2017, Overall the increase in net loss is due to more costs and less sales for the period as we begin our new initiatives in the sustainable agriculture market.

## **Cash Flows**

### ***December 31, 2018 compared to December 31, 2017***

Cash on hand was \$2,601,730 at December 31, 2018, an increase of \$2,566,441 compared to the \$35,289 on hand at December 31, 2017. Cash used in operations for 2018 was \$1,778,138 compared to \$328,878 of cash used by operations for 2017. The increase was driven mainly by new expenses due to us becoming a publicly traded company which included insurance expense related to the current and previous directors and officers of Enerjex of \$107,645 that was prepaid in full and additional payables related to the increase in operating costs associated with the SEC filing requirements, legal costs for both our SEC requirements and the acquisition of Agribotix along additional salary expense for new and existing employees that were incurred due to the expansion of our business model. We also recorded non-cash expenses of \$400,600 for stock issued in exchange for services and \$110,593 of stock compensation expense.

Cash used by investing activities during 2018 was \$1,560,219 mainly for the payments related to the acquisition of Agribotix, a significant amount of accounts payable assumed by us in the amount of \$891,474 due to the Merger, offset by \$256,255 cash acquired in connection with the Merger compared to cash used by investing activities during 2017 of \$87,775 for payments related to the acquisition of Agribotix and purchases of equipment for manufacturing of our drones.

Cash provided by financing activities during 2018 was \$5,904,799 as a result of \$4,000,000 net of \$20,000 in fees invested in the company in exchange for common and preferred shares at the time of the Merger and another \$2,000,000 net of \$30,000 in fees. Cash was also used to repurchase shares from a shareholder for \$210,642 and make payments of \$84,559 on the promissory note assumed from Enerjex offset by additional cash that was received in connection with issuance of the Series C Preferred Stock of \$250,000 subsequent to the Merger.

## **Liquidity and Capital Resources**

As of December 31, 2018, we had working capital of \$2,531,264 and a loss from operations of \$2,060,599 for the period then ended. While there can be no guarantees, we believe cash on hand, in connection with cash from operations will be sufficient to fund operations for the next year of operations. In addition, we intend to pursue other opportunities of financing with outside investors.

On November 21, 2017, Alpha Capital Anstalt (“Alpha”) signed a binding commitment letter EnerJex to provide prior to or at the closing of the Merger a minimum of \$4 million in new equity capital (the “Private Placement”). The Private Placement was consummated on March 26, 2018. In connection with the Private Placement, Alpha purchased an additional 4,000 shares of Series C Preferred Stock at a purchase price of \$1,000 per share for total aggregate consideration of \$4 million. The Series C Preferred Stock is convertible into 2,612,245 shares of our Common Stock. In addition, as consideration for the funding commitment, Alpha received a fee equal to 408,552 shares of our Common Stock.

Each share of Series C Preferred Stock is convertible into a number of shares of our Common Stock equal to the quotient determined by dividing (x) the stated value of \$1,000 per share, by (y) a conversion price of \$1.53. Until the volume weighted average price of our Common Stock on NYSE exceed \$107.50 with average trading volume of 200,000 shares per day for ten consecutive trading days, the conversion price of our Series C Preferred Stock is subject to full-ratchet, anti-dilution price protection. Under that provision, if, while that full-ratchet, anti-dilution price protection is in effect, we issue shares of our Common Stock at a price per share (the "Dilutive Price") that is less than the conversion price, then the conversion price of our Series C Preferred Stock is automatically reduced to be equal to the Dilutive Price. The effect of that reduction is that, upon the issuance of shares of Common Stock at a Dilutive Price the Series C Preferred Stock would be convertible into a greater number of shares of our Common Stock.

On December 27, 2018, AgEagle Aerial Systems Inc. (the "Company") entered into Securities Purchase Agreement (the "Agreement") with a institutional investor (the "Purchaser"). Pursuant to the terms of the Agreement, the Board of Directors of the Company (the "Board") designated a new series of preferred stock, the Series D Preferred Stock, which is non-convertible and provides for an 8% annual dividend and is subject to optional redemption by the Company (the "Preferred Stock"). The Company issued 2,000 shares of Preferred Stock and a warrant (the "Warrant") to purchase 3,703,703 shares of the Company's Common Stock, par value \$0.001 per share (the "Common Stock"), for \$2,000,000 in gross proceeds. The shares of Common Stock underlying the Warrant are referred to as the "Warrant Shares". The Company also entered into a registration rights agreement (the "Registration Rights Agreement"), granting registration rights to the Purchaser with respect to the Warrant Shares.

The Agreement provides that upon a subsequent financing or financings with net proceeds of at least \$500,000, the Company must exercise its optional redemption of the Preferred Stock (as more fully described below in Item 5.03) and apply any and all net proceeds from such financing(s) to the redemption in full of the Preferred Stock.

The Warrant is exercisable for a period of five years through December 26, 2023, at an exercise price equal to \$0.54 per share, and is subject to customary adjustments for stock splits dividend, rights offerings, pro rata distributions and fundamental transactions. In addition, in the event the Company undertakes a subsequent equity financing or financings at an effective price per share that is less than \$0.54, the exercise price of the Warrant shall be reduced to the lower price.

The Warrant provides that the Warrant holder shall have a "Beneficial Ownership Limitation" equal to 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Warrant holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation, as provided for in the Warrant.

Pursuant to the terms of the Registration Rights Agreement, the Company shall file an initial registration statement registering the Warrant Shares no later than the 20<sup>th</sup> calendar day following the required filing date of the Company's Annual Report on Form 10-K for the year ending December 31, 2018 (the "Filing Date") and, with respect to any additional registration statements, the earliest practical date on which the Company is permitted by SEC Guidance to file such additional registration statement related to such registrable securities. The Company shall have the registration statement declared effective with the Securities and Exchange Commission (the "Commission") no later than the 90<sup>th</sup> calendar day following the Filing Date or, in the event of a "full review" by the Commission, the 120<sup>th</sup> calendar day following the Filing Date. There are no penalties for failure to file or be declared effective by the dates set forth above.

The Series C and D Preferred Stock was issued pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder, in reliance on the recipient's status as an "accredited investor" as defined in Rule 501(a) of Regulation D.

The Series C Preferred Stock was issued pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder, in reliance on the recipient's status as an "accredited investor" as defined in Rule 501(a) of Regulation D.

#### **Off-Balance Sheet Arrangements**

At December 31, 2018, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. Since our inception, except for standard operating leases, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities. We have no off-balance sheet arrangements that have or 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 stockholders.

#### **Contractual Obligations**

We have no material contractual obligations.

#### **Inflation**

Our opinion is that inflation has not had, and is not expected to have, a material effect on our operations.

#### **Climate Change**

Our opinion is that neither climate change, nor governmental regulations related to climate change, have had, or are expected to have, any material effect on our operations.

#### **New Accounting Pronouncements**

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

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

This Item is not required for a Smaller Reporting Company.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Our financial statements are contained in pages F-1 through F-29, which appear at the end of this Annual Report on Form 10-K.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure and Control Procedures**

The Company's Chief Executive Officer and the Company's Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2018 and had concluded that the Company's disclosure controls and procedures are effective. The term *disclosure controls and procedures* means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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

The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Generally Accepted Accounting Principles ("GAAP").

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance of such reliability and may not prevent or detect misstatements. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has conducted, with the participation of our Chief Executive Officer and our Chief Financial Officer, an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018. Management's assessment of internal control over financial reporting used the criteria set forth in SEC Release 33-8810 based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO in *Internal Control over Financial Reporting — Guidance for Smaller Public Companies*). Based on this evaluation, Management concluded that our system of internal control over financial reporting was effective as of December 31, 2018, based on these criteria.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. As a smaller reporting company, our management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only the management's report.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(t) and 15d-15(f) under the Exchange Act, during the fourth quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table and biographical summaries set forth information, including principal occupation and business experience about our directors and executive officers:

Name	Age	Other positions with the Company; other directorships held in last five years	Has served as a Company director since
Bret Chilcott	57	Chairman of the Board, President and Secretary	April 2014
Barrett Mooney	34	Chief Executive Officer	
Nicole Fernandez-McGovern	46	Chief Financial Officer	
Grant Begley <sup>(1)(2)(3)</sup>	65	Director	June 2016
Louisa Ingargiola <sup>(1)(2)(3)</sup>	51	Director	November 2018
Thomas Gardner <sup>(1)(2)(3)</sup>	43	Director	June 2016
Corbett Kull	50	Director	July 2018

- (1) Member of the audit committee.
- (2) Member of the compensation committee.
- (3) Member of the nominating and corporate governance committee.

**Bret Chilcott.** Mr. Chilcott has served as a member of the Board of Directors of the Company and as President since the inception of the Company in April 2014 and had served as Chief Executive Officer from February 2016 to July 18, 2018. As of July 18, 2018, Mr. Chilcott stepped down as Chief Executive Officer and currently serves as President, Secretary and Chairman of the Board of the Directors. The path to the Company started when Mr. Chilcott established his advanced composite manufacturing company, Solutions by Chilcott, LLC, whose manufacturing processes led the way to the initial fixed wing design of the Company. Previously, Mr. Chilcott spent over 12 years with Cobalt Boats in Neodesha, Kansas, where he held a variety of positions from Director of Product Development and Engineering to Director of Sales and Marketing. In those positions, he was responsible for developing strategic product plans for the company as well as the management of regional sales managers. Prior to Cobalt Boats, Mr. Chilcott also spent a number of years working at the Cessna Aircraft Company and Snap-on Tools. It was at Snap-on Tools, acting as a national accounts manager, that Mr. Chilcott first established his blueprint for a dealer network, a model which he carried over successfully to the Company when the Company began selling its product. Mr. Chilcott graduated from Kansas Community College in 1982 with a degree in Sales and Marketing. The Company believes that Mr. Chilcott’s background and experience in composite parts manufacturing provides him with a broad familiarity of the range of issues confronting the Company in the market, which makes him a qualified member of our board.

**Barrett Mooney.** Mr. Mooney was appointed as Chief Executive Officer on July 18, 2018. Mr. Mooney brings an extensive track record of growing agriculture and sustainability businesses. From May 1, 2017 to July 18, 2018, he served as Group Product Lead for The Climate Corporation, a subsidiary of Monsanto (recently acquired by Bayer), where he led the satellite imagery team, managed a team focused on using artificial intelligence to enhance crop yield production and introduced a new organizational structure to improve sales efficiency. Prior to The Climate Corporation, from July 1, 2012 to May 1, 2017, Mr. Mooney co-founded and was CEO and president of HydroBio, a software company that used satellite-driven image analytics to conserve water and maximize crop yields. In May 2017, he sold HydroBio to The Climate Corporation. Mr. Mooney holds a Doctor of Philosophy in Agricultural and Biological Engineering from the University of Florida. He is also a member of the American Society of Agricultural and Biological Engineers.

**Nicole Fernandez-McGovern, CPA.** In August 2016, Ms. Fernandez-McGovern was named AgEagle's Chief Financial Officer, charged with overseeing the Company's global financial operations to include managing financial planning, general tax and accounting activities, capital formation, SEC reporting and other key financial duties. Prior to joining AgEagle, she served as Chief Executive Officer and Chief Financial Officer of Trunity Holdings, Inc., a publicly traded education technology company. While at Trunity, Ms. Fernandez-McGovern led the successful restructuring of the Company by acquiring a new compounding pharmacy business and finalizing the spin-out of the legacy education business into a newly formed private company. From 2011 through 2013, she was President of RCM Financial Consulting, a specialized consulting firm focused on providing interim accounting and financial services to small and medium sized businesses. For the preceding ten years, Ms. Fernandez-McGovern was a financial manager at Elizabeth Arden where she was involved with all aspects of the Nasdaq-listed company's SEC and financial reporting processes. She launched her professional career at KPMG, LLP in its audit and assurance practice, where she managed various large-scale engagements for both public and privately held companies. Ms. Fernandez-McGovern earned a Master of Business Administration degree with concentration in Accounting and International Business and a Bachelor of Business Administration degree with concentration in Accounting, both from the University of Miami. In addition to being fluent in Spanish, she is also a Certified Public Accountant in the State of Florida and serves on the boards of the South Florida Chapter of Financial Executives International and Pembroke Pines Charter Schools.

**Grant Begley.** Mr. Begley has served as a member of the Board of Directors of the Company since June 2016. Since July 2011, Mr. Begley has served as President of Concepts to Capabilities Consulting LLC, which advises global executive clients on competitive positioning and performance in aerospace. From August 2010 to September 2011, Mr. Begley was Corporate Senior Vice President for Alion Science and Technology. Prior to Alion, Mr. Begley served as Pentagon Senior Advisor to the Office of the Under Secretary of Defense, for Unmanned Systems, advising on critical issues and leading development of DoD's 2011 Unmanned Systems Roadmap. Mr. Begley's career includes defense industry leadership positions for the development of advanced capabilities with Raytheon and Lockheed Martin where he initiated and led cross-corporation unmanned systems and robotics successes. Mr. Begley served in the United States Navy for 26 years, where his duties included operational assignments flying fighter aircraft, designated Top Gun, followed by acquisition assignments for the development and management of next generation manned and unmanned aircraft systems, weapon systems and joint executive acquisition assignments. Mr. Begley holds Master's degrees in Aerospace and Aeronautic Engineering from the Naval Post-Graduate School and a Bachelor's degree in General Engineering from the U.S. Naval Academy. The Company believes that Mr. Begley's 20 plus years of experience as a UAV industry expert, focused on UAV technologies, regulations and commercial applications, will be an invaluable resource to the Board of Directors.

**Louisa Ingargiola.** Ms. Ingargiola has served as a member of the Board of Directors of the Company since November 27, 2018. In 1990, Ms. Ingargiola joined Boston Capital Partners as an Investment Advisor in their Limited Partnership Division. In this capacity, she worked with investors and partners to report investment results, file tax forms, and recommend investments. In 1992, Ms. Ingargiola joined MetLife Insurance Company as a Budget and Expense Manager. In this capacity she managed a \$30 million annual budget. Her responsibilities included budget implementation, expense and variance analysis and financial reporting. From 2007 through 2016, Ms. Ingargiola served as the Chief Financial Officer at MagneGas Corporation (NASDAQ:MNG) and continues to serve as a director. Ms. Ingargiola currently serves as Chief Financial Officer of Avalon-Globocare (NASDAQ:AVCO) and as the Audit Committee Chair of FTE Networks, Inc. (NYSE:FTNW) and Electra Meccanica (NASDAQ:SOLO) where she has helped manage over \$200 Million in equity and debt financing. Ms. Ingargiola also serves as a Director of The JBF Foundation Worldwide, a 501(c)(3) non-profit. Ms. Ingargiola graduated in 1988 from Boston University with a Bachelor's degree in Business Administration and a concentration in Finance. In 1996, she received her MBA in Health Administration from the University of South Florida.

**Thomas Gardner.** Mr. Gardner has served as a member of the Board of Directors since June 2016 and he and his firm has been engaged as a consultant to the Company. Since May 2010, Mr. Gardner has served as COO and Director at NeuEon, Inc., a technology advisory consulting firm, where he oversees operations and provides strategic technology and business guidance to select clients. Mr. Gardner has extensive experience in the areas of business and technology leadership across many industries, including financial services, manufacturing, telecommunications and consumer goods. Within these sectors, Mr. Gardner has specific expertise in the areas of process improvement, digitization and standardization, mergers and acquisitions, system implementations, enterprise resource planning and work-force optimization. Mr. Gardner holds a dual Bachelor of Science in Accounting and Management from Bryan University. The Company believes that Mr. Gardner's experience as a data analytics expert, along with his strategic technology and business expertise, brings a unique perspective to the Board of Directors.



**Corbett Kull.** Mr. Kull has served as a member of the Board of Directors of the Company since July 2018. Since December 8, 2014, Mr. Kull has served as senior director of marketing for The Climate Corporation, a subsidiary of Monsanto (now Bayer), which provides software, hardware and insurance products to farmers worldwide. Prior to his role at The Climate Corporation, in 2013, Kull co-founded 640 Labs, an agribusiness that leveraged the power of analytics, mobile technologies and cloud computing to help farmers capture and store in-field data. In December 2014, he sold 640 Labs to The Climate Corporation. Kull received his Master in Business Administration, with an emphasis in Marketing, from the Illinois Institute of Technology. He earned a Bachelor's of Science in Electrical Engineering from Rose-Hulman Institute of Technology. The Company believes that Mr. Kull's business expertise regarding analytics, mobile technologies and cloud computing qualify Mr. Kull as a valuable member of the Board of Directors.

#### ***Board of Directors' Term of Office***

Directors are elected at our annual meeting of shareholders and serve for one year until the next annual meeting of shareholders or until their successors are elected and qualified.

#### ***Family Relationships***

There are no family relationships among the officers and directors, nor are there any arrangements or understanding between any of the Directors or Officers of our Company or any other person pursuant to which any Officer or Director was or is to be selected as an officer or director.

#### ***Involvement in Certain Legal Proceedings***

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

#### **Board Meetings; Committee Meetings; and Annual Meeting Attendance**

In 2018, the Board of Directors held five meetings and acted by unanimous written consent on various matters. We encourage each director to attend our annual meeting of shareholders in person or by telephone conference call. All but one of the board members attended the 2018 Annual Meeting of Shareholders.

#### ***Committees of the Board of Directors***

Our Board of Directors has standing audit, compensation, and nominating committees, comprised solely of independent directors. Each committee has a charter, which is available at the Company's website, [www.ageagle.com](http://www.ageagle.com). Each committee member is independent under NYSE American committee independence requirements applicable to the committee on which such member serves.

#### **Audit Committee**

The Audit Committee, which is established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, is responsible for assisting the Board of Directors in its oversight of the integrity of the Company's financial statements, the qualifications and independence of the Company's independent auditors, and the Company's internal financial and accounting controls. The Audit Committee has direct responsibility for the appointment, compensation, retention (including termination) and oversight of the Company's independent auditors, and the Company's independent auditors report directly to the Audit Committee. During 2018, the Audit Committee had a total of three meetings.



The Post-Merger Company's current members of the Audit Committee are Louisa Ingargiola, Chair, Grant Begley, and Thomas Gardner. During the fiscal year ended December 31, 2017, Mr. Scott Burell was the Chair of the Audit Committee and resigned from the Board of Directors of the Company on November 21, 2018. Ms. Louisa Ingargiola was appointed on November 27, 2018 as a director of the Board of Directors of the Company and as the Chair of the Audit Committee to replace Mr. Burell. Each member of the Audit Committee qualifies as an independent director under the corporate governance standards of the NYSE American and the independence requirements of Rule 10A-3 of the Exchange Act. The Board of Directors has determined that Louisa Ingargiola qualifies as an "audit committee financial expert" as such term is currently defined in Item 407(d)(5) of Regulation S-K and meets the financial sophistication requirements of the NYSE American.

### **Compensation Committee**

The Compensation Committee approves the compensation objectives for the Company, approves the compensation of the chief executive officer and approves or recommends to the Board of Directors for approval the compensation of other executives. The Compensation Committee reviews all compensation components, including base salary, bonus, benefits and other perquisites.

The Post-Merger Company's current members of the Compensation Committee are Grant Begley, Chairman, Louisa Ingargiola, and Thomas Gardner. Mr. Scott Burell was a member of the Compensation Committee and resigned from the Board of Directors of the Company on November 21, 2018. Ms. Louisa Ingargiola was appointed on November 27, 2018 as a director of the Board of Directors of the Company and as a member of the Compensation Committee to replace Mr. Burell's role. During 2018, the Compensation Committee had a total of two meetings.

The members of the compensation committee are Messrs. Begley and Gardner and Ms. Ingargiola. Mr. Begley serves as chair of the compensation committee. Each member of the compensation committee is a non-employee director within the meaning of Rule 16b-3 of the rules promulgated under the Exchange Act, each is an outside director as defined by Section 162(m) of the United States Internal Revenue Code of 1986, as amended, or the Code, and each is an independent director as defined by the NYSE American. The compensation committee has adopted a written charter that satisfies the applicable standards of the SEC and the NYSE American, which is available on our website.

### **Nominating and Corporate Governance Committee**

The nominating and corporate governance committee is responsible for making recommendations to our board of directors regarding candidates for directorships and the structure and composition of our board and the board committees. In addition, the nominating and corporate governance committee will be responsible for developing and recommending to our board corporate governance guidelines applicable to the company and advising our board on corporate governance matters. During 2018, the Nominating and Corporate Governance Committee had no meetings and acted by unanimous written consent on one occasion.

The Post-Merger Company's current members of the Nominating and Corporate Governance Committee are Thomas Gardner, Chairman, Louisa Ingargiola, and Grant Begley. Mr. Scott Burell was a member of the Nominating and Corporate Governance Committee and resigned from the Board of Directors of the Company on November 21, 2018. Ms. Louisa Ingargiola was appointed on November 27, 2018 as a director of the Board of Directors of the Company and as a member of the Nominating and Corporate Governance Committee to replace Mr. Burell. Each member of the nominating and corporate governance committee will be an independent director as defined by the NYSE American. The nominating and corporate governance committee has adopted a written charter that satisfies the applicable standards of the NYSE American, which is available on our website.

The Nominating and Corporate Governance Committee will consider director candidates recommended by security holders. Potential nominees to the Board of Directors are required to have such experience in business or financial matters as would make such nominee an asset to the Board of Directors and may, under certain circumstances, be required to be “independent”, as such term is defined under Section 121(a) of the listing standards of NYSE American and applicable SEC regulations. Security holders wishing to submit the name of a person as a potential nominee to the Board of Directors must send the name, address, and a brief (no more than 500 words) biographical description of such potential nominee to the Nominating and Corporate Governance Committee at the following address: Nominating and Corporate Governance Committee of the Board of Directors, c/o AgEagle Aerial Systems Inc., 117 S. 4th Street, Neodesha, Kansas 66757. Potential director nominees will be evaluated by personal interview, such interview to be conducted by one or more members of the Nominating and Corporate Governance Committee, and/or any other method the Nominating and Corporate Governance Committee deems appropriate, which may, but need not, include a questionnaire. The Nominating and Corporate Governance Committee may solicit or receive information concerning potential nominees from any source it deems appropriate. The Nominating and Corporate Governance Committee need not engage in an evaluation process unless (i) there is a vacancy on the Board of Directors, (ii) a director is not standing for re-election, or (iii) the Nominating and Corporate Governance Committee does not intend to recommend the nomination of a sitting director for re-election. A potential director nominee recommended by a security holder will not be evaluated differently from any other potential nominee. Although it has not done so in the past, the Nominating and Corporate Governance Committee may retain search firms to assist in identifying suitable director candidates.

The Board does not have a formal policy on Board candidate qualifications. The Board may consider those factors it deems appropriate in evaluating director nominees made either by the Board or stockholders, including judgment, skill, strength of character, experience with businesses and organizations comparable in size or scope to the Company, experience and skill relative to other Board members, and specialized knowledge or experience. Depending upon the current needs of the Board, certain factors may be weighed more or less heavily. In considering candidates for the Board, the directors evaluate the entirety of each candidate’s credentials and do not have any specific minimum qualifications that must be met. The directors will consider candidates from any reasonable source, including current Board members, stockholders, professional search firms or other persons. The directors will not evaluate candidates differently based on who has made the recommendation.

### ***Changes in Nominating Process***

In 2018, there were no material changes to the procedures by which security holders may recommend nominees to our Board of Directors.

### **Compliance with Section 16(A) of the Exchange Act**

Section 16(a) of the Exchange Act requires the Company’s directors, officers and stockholders who beneficially own more than 10% of any class of equity securities of the Company registered pursuant to Section 12 of the Exchange Act, collectively referred to herein as the “Reporting Persons,” to file initial statements of beneficial ownership of securities and statements of changes in beneficial ownership of securities with respect to the Company’s equity securities with the SEC. All Reporting Persons are required by SEC regulation to furnish us with copies of all reports that such Reporting Persons file with the SEC pursuant to Section 16(a). Based solely on our review of the copies of such reports and upon written representations of the Reporting Persons received by us, we believe that all Section 16(a) filing requirements applicable to such Reporting Persons have been timely met.

### **Code of Ethics**

The Company has adopted a Code of Ethics for adherence by its Chief Executive Officer and Chief Financial Officer to ensure honest and ethical conduct; full, fair and proper disclosure of financial information in the Company’s periodic reports filed pursuant to the Securities Exchange Act of 1934; and compliance with applicable laws, rules, and regulations. Any person may obtain a copy of our Code of Ethics, without charge, by mailing a request to the Company at the address appearing on the front page of this Annual Report on Form 10-K or by viewing it on our website found at [www.ageagle.com](http://www.ageagle.com).

## **ITEM 11. EXECUTIVE COMPENSATION**

In connection with the Merger, all of the EnerJex executive officers and directors resigned from their positions with EnerJex, and the officers and directors of AgEagle Sub were appointed to serve as officers and directors of the Company post-merger. EnerJex’s named executive officers for the fiscal years ended December 31, 2017 and 2016 are no longer current executive officers of AgEagle. As a result, and for ease of reference we have included a separate executive compensation section to reflect the prior years’ compensation for the EnerJex executive officers and directors.

**Executive Compensation – AgEagle (Post-Merger)**

The following table sets forth compensation information for services rendered by certain of our executive officers in all capacities during the last two completed fiscal years. The following information includes the dollar value of base salaries and certain other compensation, if any, whether paid or deferred.

**Summary Compensation Table**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Equity Awards(4)</b>	<b>All Other Compensation</b>	<b>Total</b>
Bret Chilcott (1)	2018	\$ 120,539	\$ —	\$ —	\$ —	\$ 120,539
	2017	\$ 31,200	\$ —	\$ —	\$ —	\$ 31,200
Barrett Mooney (2)	2018	\$ 95,615	\$ —	\$ 54,995	\$ —	\$ 150,610
	2017	\$ —	\$ —	\$ —	\$ —	\$ —
Nicole Fernandez-McGovern (3)	2018	\$ 207,500	\$ —	\$ 27,759	\$ —	\$ 235,259
	2017	\$ 20,000	\$ —	\$ 6,339	\$ —	\$ 26,339

- (1) Bret Chilcott served as Chief Executive Officer and President of the Company until July 18, 2018, after which he stepped down as Chief Executive Officer and now serves as President.
- (2) Barrett Mooney was appointed as Chief Executive Officer of the Company effective July 18, 2018.
- (3) Nicole Fernandez-McGovern was appointed as Chief Financial Officer of the Company effective April 6, 2016. Amounts for 2018 include deferred compensation payments from 2017.
- (4) The aggregate grant date fair value of the options awarded to each executive officer is computed in accordance with FASB ASC Topic 718 and excludes the effect of forfeiture assumptions. Also, these awards generally vest over a one period from the date of grant. The assumptions used to calculate the fair value of stock option awards are Black-Scholes option valuation model.

**Employment Agreements*****Bret Chilcott***

Mr. Chilcott has served as a member of the Board of Directors of the Company and as President since the inception of the Company in 2010 and has served as Chief Executive Officer from February 2016 to July 18, 2018. As of July 18, 2018, Mr. Chilcott stepped down as Chief Executive Officer and currently serves as President, Secretary and Chairman of the Board of the Directors. Mr. Chilcott has no formal agreement with the Company but did hold the position of Chief Executive of the Company for an annual salary of \$175,000. Upon his resignation as Chief Executive Officer of the Company his salary was reduced to \$140,000, annually.

***Barrett Mooney***

Pursuant to an employment offer letter dated July 9, 2018, Mr. Mooney will receive as compensation for his services as Chief Executive Officer a base salary of \$220,000 per year, which shall be subject to annual performance review by the Compensation Committee of the Board and may be revised by the Board, in its sole discretion. Mr. Mooney received an initial grant of 75,000 shares of restricted Common Stock of the Company which is fully vested. Mr. Mooney shall also be eligible to receive an award of 75,000 shares of restricted Common Stock of the Company which shall fully vest as of January 1, 2019 if and only if, the stock price of the Company reaches \$3.55 per share and the closing price per share is at or above such price at the end of the day on January 1, 2019. In addition, Mr. Mooney is eligible to receive an award of 20,000 nonqualified stock options under the Company's 2017 Omnibus Equity Incentive Plan (the "Equity Plan") upon securing one sustainability pilot program on or before October 31, 2018, and an additional award of 30,000 nonqualified stock options under the Equity Plan upon securing a second sustainability pilot program on or before January 31, 2019. Both awards shall provide for immediate vesting and exercisability at an exercise price equal to the fair market value of the Company's shares of Common Stock underlying the options as of the date of grant. Mr. Mooney will also be eligible to receive an award of up to 55,000 nonqualified stock options under the Equity Plan based upon the results of his annual performance review in the first quarter of 2019.

Effective December 18, 2018, an amendment was signed for the original employment offer letter dated July 9, 2018 hereby providing an amendment to provide that in lieu of the issuance of 75,000 shares of restricted Common Stock of the Company (the “Shares”), the Company shall award to Executive 125,000 Nonqualified Stock Options (the “Stock Options”) under the Company’s 2017 Omnibus Equity Incentive Plan (the “Equity Plan”). The Stock Options shall be subject to the terms of the Equity Plan and standard option award agreement which shall have a term of 10 years and provide for vesting over a one-year period and exercisability at an exercise price equal to the fair market value of the Company’s Common Stock as of the date of the grant. The award of 75,000 shares were returned to the company and immediately cancelled.

***Nicole Fernandez-McGovern***

Based on her agreement commencing with the date of appointment as CFO in August 2016, Ms. Fernandez-McGovern earned a salary of \$66,000 per year, payable in monthly installments of \$5,500 for 2017. In 2018, her monthly installment payment increased to \$8,000 and effective upon the closing of the Merger, Ms. Fernandez-McGovern’s salary increased to \$150,000. As part of her compensation upon the closing of the Merger, Ms. Fernandez-McGovern also received 10-year stock options to purchase 265,033 shares of Common Stock at an exercise price of \$0.06 per share, of which half of the options vested upon issuance and the remainder will vest equally over two years. Additionally, on a quarterly basis, Ms. Fernandez-McGovern will be awarded 12,500 shares of stock options to purchase Common Stock at an exercise price per share equal to the market price of our Common Stock at the time of issuance during the term of her employment.

Effective January 1, 2019, Ms. Fernandez-McGovern signed a new employment agreement with the Company, whereby her annual base salary increased to \$180,000 and a ten-year grant of 50,000 stock options to purchase shares of Common Stock at an exercise price of \$0.54 was awarded. In addition, Ms. Fernandez-McGovern will continue to receive quarterly grants of 12,000 stock options to purchase Common Stock at an exercise price equal to the market price of our Common Stock at the time of issue during the term of her employment. All of the awards will vest equally over two years.

We have no other formal employment agreements with our executive officers, nor any compensatory plans or arrangements resulting from the resignation, retirement or any other termination of our named executive officers, from a change-in-control, or from a change in any executive officer’s responsibilities following a change-in-control. However, it is possible we will enter into formal employment agreements with our executive officers in the future.

## Outstanding Equity Awards at 2018 and 2017 Year-Ends

The following table lists the outstanding equity incentive awards held by the EnerJex Pre-Merger Named Executive Officers as of the fiscal year ended December 31, 2018 and 2017.

Name and Principal Position	Fiscal Year Granted	Option Awards				
		Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Un-Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date
Barrett Mooney Chief Executive Officer	2018	4,452	120,548	—	\$ 0.62	12/17/2028
	2017	—	—	—	\$ —	—
Nicole Fernandez-McGovern Chief Financial Officer	2018	3,125	9,375	—	\$ 1.82	6/29/2023
	2018	1,563	10,938	—	\$ 1.64	9/29/2023
	2017	215,340	49,693	—	\$ 0.06	10/02/2027
Bret Chilcott President	2018	—	—	—	\$ —	—
	2017	—	—	—	\$ —	—

## Potential Payments upon Termination or Change in Control

We do not have any contract, agreement, plan or arrangement that provides for any payment to any of our Named Executive Officers at, following, or in connection with a termination of the employment of such Named Executive Officer, a change in control of the Company or a change in such Named Executive Officer's responsibilities.

## DIRECTOR COMPENSATION – AGEAGLE (POST-MERGER)

Pursuant to their respective offer letters, Messers Grant Begley, Thomas Gardner and Scott Burell are entitled to receive for their service on the Board: (1) an initial grant of five-year options to purchase 77,356 shares of Common Stock as accrued for time served as a Board member at an exercise price of \$0.06 per share that vested half upon issuance and the remainder is vesting equally over two years; and (2) additional five-year options to purchase 16,500 shares of Common Stock issuable per calendar quarter of service at an exercise price per share equal to the market price of our Common Stock at the time of issuance that will vest equally over two years.

Pursuant to his offer letter Mr. Corbett Kull is entitled to receive for his service on the board: (1) an initial grant of five-year options to purchase 41,250 shares of Common Stock upon appointment, which was at an exercise price of \$1.77 (equal to the market price of our Common Stock on the date of grant) that will vest in equal installments every calendar quarter over a one year period; and (2) five-year options to purchase 16,500 shares of Common Stock per calendar quarter of service at an exercise price per share equal to the market price of our Common Stock at the time of issuance that will vest in equal installments every calendar quarter for the two-year period after date the grant.

Effective November 21, 2018, Mr. Scott Burell resigned from the Board of Directors of the Company and his positions as a member of the Compensation and Nominating and Corporate Governance Committee and Chairman of the Audit Committee. As a result of his resignation, Mr. Burell did not receive any options for the last quarter of 2018 as options are awarded upon completion of the term. To replace Mr. Burell, Ms. Louisa Ingargiola was appointed on November 27, 2018 as a director of the Board of Directors of the Company, a member of the Compensation and Nominating and Corporate Governance Committee and Chairman of the Audit Committee.

Pursuant to her offer letter, Ms. Louisa Ingargiola is entitled to receive for her service on the board: (1) an initial grant of five-year options to purchase 41,250 shares of Common Stock upon appointment, which was at an exercise price of \$0.77 (equal to the market price of our Common Stock on the date of grant) that will vest in equal installments every calendar quarter over a one year period; and (2) five-year options to purchase 16,500 shares of Common Stock per calendar quarter of service at an exercise price per share equal to the market price of our Common Stock at the time of issuance that will vest in equal installments every calendar quarter for the two year period after date the grant.

**Option Exercises for Fiscal 2018 and 2017**

Mr. Scott Burell exercised 60,724 options on December 4, 2018 at an exercise price of \$0.06 of which 55,801 shares were delivered due to the Company's withholding obligation relating to the exercise of these options.

**EXECUTIVE COMPENSATION – ENERJEX (PRE-MERGER)**

The following table sets forth summary compensation information for the fiscal year ended December 31, 2018 and the year ended December 31 2017, for our former chief executive officer, former chief financial officer and other former highly compensated executive officers. We did not have any other executive officers as of the end of 2018 or 2017, whose total compensation exceeded \$100,000. We refer to these persons as the EnerJex Pre-Merger Named Executive Officers elsewhere in this report.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Stock Awards</b>	<b>Option Awards</b>	<b>All Other Compensation</b>	<b>Total</b>
Louis G. Schott, Former Interim Chief Executive Officer and Secretary (1)	2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	2017	\$ 75,000	\$ —	\$ —	\$ —	\$ —	\$ 75,000
Robert Schleizer, Former Chief Financial Officer (4)	2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	2017	\$ 75,000	\$ —	\$ —	\$ —	\$ —	\$ 75,000
Robert G. Watson, Jr., Former President, Chief Executive Officer (2)	2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	2017	\$ 15,000	\$ —	\$ —	\$ —	\$ —	\$ 15,000
Douglas M. Wright, Former Chief Financial Officer (3)	2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	2017	\$ 96,000	\$ —	\$ —	\$ —	\$ —	\$ 96,000
David L. Kunovic, Former Executive Vice President, Exploration (5)	2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	2017	\$ 108,865	\$ —	\$ —	\$ —	\$ —	\$ 108,865
Kent A. Roach, Former Executive Vice President, Engineering (5)	2018	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	2017	\$ 108,865	\$ —	\$ —	\$ —	\$ —	\$ 108,865

- (1) Mr. Schott joined the Company as Interim CEO on February 10, 2017 and resigned in connection with the Merger.
- (2) Mr. Watson resigned as a director and officer of the Company on February 10, 2017.
- (3) Mr. Wright resigned on February 10, 2017.
- (4) Mr. Schleizer joined the Company as Chief Financial Officer on August 17, 2017 and resigned in connection with the Merger.
- (5) Resigned in connection with the Merger.

**Employment Agreements**

*Louis G. Schott. — Former Interim Chief Executive Officer*

On February 10, 2017, the Company entered into an employment agreement with Louis G. Schott, as interim chief executive officer of the Company. The employment agreement provides an annual base salary of \$225,000. Mr. Schott resigned from his position as interim chief executive officer in connection with the Merger and his employment agreement was terminated.

**Option Exercises for Fiscal 2018 and 2017**

There were no options exercised by the EnerJex Pre-Merger Named Executive Officers in fiscal years 2018 and 2017, as all pre-merger options issued by EnerJex were cancelled upon the date of Merger.

**Grants of Plan-Based Awards in Fiscal Year 2018 and 2017**

We granted to Mr. Wright an option expiring on July 31, 2017, to purchase 50,000 shares of our Common Stock at a cash exercise price equal to \$10.50. One third of the options vest on the first anniversary of the date of grant, and the remaining options vest in twenty-four (24) equal tranches each month for the next two (2) year period. Mr. Wright's employment with the company ended effective February 17, 2017, and therefore pursuant to the 2013 Plan he must exercise the options within three (3) months of employment termination (May 17, 2017) or forfeit them. The options were not exercised

**Outstanding Equity Awards at 2017 Fiscal Year-End**

The following table lists the outstanding equity incentive awards held by the EnerJex Pre-Merger Named Executive Officers as of the fiscal year ended December 31, 2017.

	Fiscal Year Granted	Option Awards			Option Exercise Price (\$)	Option Expiration Date
		Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Un- Exercisable (#)	Number of Securities Underlying Unexercised Options		
David L. Kunovic	2013	50,000	—	—	\$ 10.50	12/31/23
Kent A. Roach	2014	39,743	10,417	—	\$ 10.50	12/31/19

**DIRECTOR COMPENSATION – ENERJEX (Pre-Merger)**

For the fiscal year ended December 31, 2017, the EnerJex Pre-Merger non-employee directors received no compensation.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RE STOCKHOLDER MATTERS**

The following table sets forth certain information regarding the beneficial ownership of our Common Stock as of March 27, 2019 by:

[Table of Contents](#)

- each person, or group of affiliated persons, known to us to own beneficially more than 5% of our Common Stock;
- each of our current directors;
- each of our named executive officers; and
- all of our current directors and executive officers as a group.

The information in the following table has been presented in accordance with the rules of the SEC. Under such rules, beneficial ownership of a class of capital stock includes any shares of such class as to which a person, directly or indirectly, has or shares voting power or investment power and also any shares as to which a person has the right to acquire such voting or investment power within 60 days through the exercise of any stock option, warrant or other right. If two or more persons share voting power or investment power with respect to specific securities, each such person is deemed to be the beneficial owner of such securities. Except as we otherwise indicate below and under applicable community property laws, we believe that the beneficial owners of the Common Stock listed below, based on information they have furnished to us, have sole voting and investment power with respect to the shares shown. Except as otherwise indicated, each stockholder named in the table is assumed to have sole voting and investment power with respect to the number of shares listed opposite the stockholder's name.

Name and Address of Beneficial Owner <sup>(1)</sup>	Number of Shares (2)	Percent of Class
Bret Chilcott Chairman of the Board, President and Nominee Director	5,800,321	46.22%
Barrett Mooney Chief Executive Officer <sup>(3)</sup>	4,452	0.04%
Nicole Fernandez-McGovern Chief Financial Officer <sup>(3)</sup>	220,027	1.75%
Grant Begley Nominee Director <sup>(3)</sup>	75,227	0.60%
Thomas Gardner Nominee Director <sup>(3)</sup>	142,519	1.14%
Louisa Ingargiola Director <sup>(3)</sup>	1,921	0.02%
Corbett Kull Nominee Director <sup>(3)</sup>	20,969	0.17%
<b>All Directors and Executive Officers as a Group (seven persons)</b>	<b>6,265,436</b>	<b>49.94%</b>
GreenBlock Capital, LLC 420 Royal Palm Way Palm Beach, Florida 33480 <sup>(4)</sup>	846,569	6.75%
Alpha Capital Anstalt Pradafant 7, Furstentums 9490 Vaduz, Liechtenstein <sup>(5)</sup>	1,253,684	9.99%

(1) Unless otherwise indicated, such individual's address is c/o AgEagle Aerial Systems, Inc., 117 South 4th Street, Neodesha, Kansas 66757.



- (2) The persons named in this table have sole voting and investment power with respect to all shares of Common Stock reflected as beneficially owned by them. A person is deemed to be the beneficial owner of securities that can be acquired by such person within sixty (60) days from December 31, 2018 and the total outstanding shares used to calculate each beneficial owner's percentage includes such shares, although such shares are not taken into account in the calculations of the total number of shares or percentage of outstanding shares. Beneficial ownership as reported does not include shares subject to option or conversion that are not exercisable within 60 days of December 31, 2018.
- (3) All shares reflected are those shares of Common Stock which underlie options issued and fully vested, as of December 31, 2018.
- (4) Excludes options to purchase 207,055 shares of Common Stock which are subject to vesting and ownership limitation provisions. Mr. Chris Spencer, a Partner of GreenBlock Capital, LLC, has sole investment and voting power with respect to the shares. The address for GreenBlock Capital, LLC is 420 Royal Palm Way, Palm Beach, Florida 33480. Information regarding this beneficial owner is furnished in reliance upon its Schedule 13C dated March 26, 2018.
- (5) As of December 31, 2018, Alpha owned 315,422 shares of Common Stock and owned 4,662 shares of Series C Preferred Stock, which are currently convertible into 8,633,333 shares of Common Stock, and 2,000 Series D Preferred Shares and 3,703,703 warrants to purchase shares of Common Stock at an exercise price of \$0.54. The table includes only 1,253,684 shares of Common Stock that Alpha is deemed to beneficially own because under the terms of the Series C Certificate of Designation, the holder thereof may not own in excess of 9.99% of the Company's voting (i.e., Common) stock at any given time.

## **Equity Compensation Plans**

### ***Company 2017 Omnibus Equity Incentive Plan***

The 2017 Omnibus Equity Plan is a comprehensive incentive compensation plan under which the Company can grant equity-based and other incentive awards to officers, employees and directors of, and consultants and advisers to, the Company. The purpose of the Plan is to help the Company attract, motivate and retain such persons and thereby enhance shareholder value. The Plan provides for the grant of awards which are incentive stock options ("ISOs"), non-qualified stock options ("NQSOs"), unrestricted shares, restricted shares, restricted stock units, performance stock, performance units, SARs, tandem stock appreciation rights, distribution equivalent rights, or any combination of the foregoing, to key management employees, non-employee directors, and non-employee consultants of the Company or any of its subsidiaries (each a "participant") (however, solely Company employees or employees of the Company's subsidiaries are eligible for incentive stock option awards). The Company has reserved a total of 2,000,000 shares of Common Stock for issuance as or under awards to be made under the Plan.

### **Types of Stock Awards**

The Plan provides for the grant of incentive stock options and non-qualified stock options. Stock options may be granted to employees, including officers, non-employee directors and consultants of the Company or its affiliates, except that incentive stock options may be granted only to employees.

### **Share Reserve**

The aggregate number of shares of Common Stock that have been reserved for issuance under the Plan is 2,000,000. As of December 31, 2018, there are 1,287,103 shares underlying options granted under the Plan and 712,897 shares of Common Stock available for future issuance under the Plan. If a stock option award expires, terminates, is canceled or is forfeited for any reason, the number of shares subject to the stock option award will again be available for issuance. In addition, if stock awards are settled in cash, the share reserve will be reduced by the number of shares of Common Stock with a value equal to the amount of the cash distributions as of the time that such amount was determined and if stock options are exercised using net exercise, the share reserve will be reduced by the gross number of shares of Common Stock subject to the exercised portion of the option. We also have 207,055 shares underlying options that have been granted outside of the Plan.

## **Administration**

Our board of directors or a duly authorized committee thereof, has the authority to administer the Plan. Subject to the terms of the Plan, our board of directors or the authorized committee, referred to herein as the committee, determines recipients, dates of grant, the numbers and types of stock awards to be granted and the terms and conditions of the stock option awards, including the period of exercisability and vesting schedule applicable to a stock option award. Subject to the limitations set forth below, the committee will also determine the exercise price and the types of consideration to be paid for the award. The committee has the authority to modify outstanding awards under the Plan. The committee has the authority to adopt, alter and repeal administrative rules, guidelines and practices governing the Plan and to perform all other acts, including delegating administrative responsibilities, as it deems advisable to construe and interpret the terms and provisions of the Plan and any stock option award granted under the Plan. Decisions and interpretations or other actions by the committee are in the discretion of the committee and are final binding and conclusive on the company and all participants in the Plan.

## **Stock Options**

Incentive stock options and non-qualified stock options are granted pursuant to stock option award agreements adopted by the committee. The committee determines the exercise price for a stock option, within the terms and conditions of the Plan, provided that the exercise price shall not be less than (i) in the case of a grant of any NQSO or an ISO to a key employee who at the time of the grant does not own stock representing more than ten percent (10%) of the total combined voting power of all classes of our stock or of any subsidiary, one hundred percent (100%) of the fair market value of a share of Common Stock as determined on the date the stock option award is granted; (ii) in the case of a grant of an ISO to a key employee who, at the time of grant, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of our stock or of any subsidiary, one hundred ten percent (110%) of the fair market value of a share of Common Stock, as determined on the date the stock option award is granted. The fair market value of the Common Stock for purposes of determining the exercise price shall be determined by the Committee in accordance with any reasonable method of valuation consistent with applicable requirements of Federal tax law, including, as applicable, the provisions of Code Section 422(c)(8) and 409A as applicable. Stock options granted under the Plan will become exercisable at the rate specified by the committee and may be exercisable for restricted stock, if determined by the committee.

The committee determines the term of stock options granted under the Plan, up to a maximum of ten years. The option holder's stock option agreement shall provide the rights, if any, that such holder has to exercise the stock option at such time that such holder's service relationship with us, or any of our affiliates, ceases for any reason, including disability, death, with or without cause, or voluntary resignation. All unvested stock option awards are forfeited if the participant's employment or service is terminated for any reason, unless our compensation committee determines otherwise.

Acceptable consideration for the purchase of Common Stock issued upon the exercise of a stock option will be determined by the committee and may include (i) check, bank draft or money order, or wire transfer; (ii) if the Company's Common Stock is publicly traded, a broker-assisted cashless exercise, or (iii) such other methods as may be approved by the committee, including without limitation, the tender of shares of our Common Stock previously owned by the option holder or a net exercise of the option.

Unless the committee provides otherwise, options generally are not transferable except by will, the laws of descent and distribution. The committee may provide that a non-qualified stock option may be transferred to a family member, as such term is defined under the applicable securities laws.

### **Tax Limitations on Incentive Stock Options**

The aggregate fair market value, determined at the time of grant, of our Common Stock with respect to incentive stock options that are exercisable for the first time by an option holder during any calendar year may not exceed \$100,000. Options or portions thereof that exceed such limit will generally be treated as non-qualified stock options. No incentive stock option may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (i) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (ii) the term of the incentive stock option does not exceed five years from the date of grant.

### **Adjustments for Changes in Capital Structure and other Special Transactions**

In the event of a stock dividend, stock split, or recapitalization, or a corporate reorganization in which we are a surviving corporation (and our shareholders prior to such transaction continue to own at least 50% of our capital stock after such transaction), including without limitation a merger, consolidation, split-up or spin-off, or a liquidation, or distribution of securities or assets other than cash dividends, the number or kinds of shares subject to the Plan or to any stock option award previously granted, and the exercise price, shall be adjusted proportionately by the committee to reflect such event.

In the event of a merger, consolidation, or other form of reorganization with or into another corporation (other than a merger, consolidation, or other form of reorganization in which we are the surviving corporation and our shareholders prior to such transaction continue to own at least 50% of the capital stock after such transaction), a sale or transfer of all or substantially all of the assets of the Company or a tender or exchange offer made by any corporation, person or entity (other than an offer made by us), all stock options held by any option holder shall be fully vested and exercisable by the option holder.

Furthermore, the committee, either before or after the merger, consolidation or other form of reorganization, may take such action as it determines in its sole discretion with respect to the number or kinds of shares subject to the Plan or any option under the Plan.

### **Amendment, Suspension or Termination**

The committee may at any time amend, suspend, or terminate any and all parts of the Plan, any stock option award granted under the Plan, or both in such respects as the committee shall deem necessary or desirable, except that no such action may be taken which would impair the rights of any option holder with respect to any stock option award previously granted under the Plan without the option holder's consent.

### **Description of Securities**

Our authorized capital stock consists of 275,000,000 shares, of which 250,000,000 shares are designated as Common Stock par value \$.001 per share and 25,000,000 shares are designated as preferred stock, par value \$.001 per share of which (i) no shares have been designated as Series A Preferred Stock, (ii) 1,764 shares have been designated as Series B Preferred Stock, (iii) 10,000 shares have been designated as Series C Preferred Stock and (iv) 2,000 shares have been designated as Series D Preferred Stock. As of December 31, 2018, we had 12,549,394 shares of Common Stock, no shares of Series A Preferred Stock, 0 shares of Series B Preferred Stock, 4,662 shares of Series C Preferred Stock and 2,000 shares of Series D Preferred Stock outstanding.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

AgEagle is a party to a consulting agreement dated as of March 1, 2015 with GreenBlock Capital, LLC, or GreenBlock, which beneficially own approximately 8.33% of our Common Stock. Under the terms of the agreement, the Company agreed to issue 368,099 (post-split) shares of the Company's Common Stock on May 1, 2015, an additional 368,099 (post-split) shares of Common Stock on January 15, 2016 and 207,055 (post-split) stock option exercisable for five years from the issuance date at an exercise price per share of \$0.06 pursuant to the consulting agreement. As of December 31, 2015, no shares had been issued to the consultant. The Company recognized \$1,250,000 of consulting expense during 2015 and 2016 related to the value of the shares earned, which was based on the estimated fair value of the stock as of December 31, 2015, based on the terms of a transaction which ultimately closed in February 2016, as there was no dis-incentive for non-performance. No additional expense was recorded for the nine months September 30, 2017 for the Common Stock granted in connection with the strategic consulting agreement executed in March 2015. During 2015, AgEagle recorded \$69,528 of non-cash compensation expense related to the vested stock options granted to GreenBlock. The consulting agreement terminated by mutual agreement of the parties on August 31, 2016. During 2016, AgEagle recognized \$138,802 related to the stock options. During the nine months ended September 30, 2017, the Company recognized \$6,397 of additional consulting expense related to the issuance of the Common Stock for the stock options as a result of the modification of the exercise price of the options from \$2.60 per share to \$0.10 per share.

On (i) December 15, 2016, the Company issued a promissory note with an aggregate principal amount of \$30,000 to GreenBlock Capital, a related party, (ii) January 24, 2017, AgEagle issued a 2<sup>nd</sup> promissory note with an aggregate principal amount of \$30,000 to GreenBlock, and (iii) June 14, 2017, a 3<sup>rd</sup> promissory note with an aggregate principal amount of \$16,050 was issued to GreenBlock (the "Related Party Notes A"). The Related Party Notes A accrue interest at an annual rate of 2% and matured on November 6, 2017. On or about August 1, 2017, GreenBlock entered into extension and modification agreements with AgEagle whereby they agreed to extend the maturity date of the Related Party Notes A to February 28, 2018, and in exchange a conversion feature was added whereby the debt can be converted into AgEagle Common Stock at \$2.00 per share, and amended the interest rate on the note retroactively to accrue at a rate of 8% annually.

Between the dates of March 15 and July 12, 2017, AgEagle issued seven new promissory notes totaling an aggregate amount of \$55,000 to Bre Chilcott, who is our Chairman of the Board and President, and at the time was also our CEO. The promissory notes (the "Related Party Notes B") accrue interest at an annual rate of 2% and matured on November 6, 2017. On or about August 1, 2017, Mr. Chilcott entered into extension and modification agreements with AgEagle whereby they agreed to extend the maturity date of the Related Party Notes B to February 28, 2018, and in exchange a conversion feature was added whereby the debt can be converted into AgEagle Common Stock at \$2.00 per share, and amended the interest rate on the note retroactively to accrue at a rate of 8% annually.

**Director Independence**

The Board of Directors has reviewed the independence of our directors based on the listing standards of the NYSE American. Based on this review the Board of Directors determined that each of Messrs. Begley, Gardner and Kull and Ms. Ingargiola are independent within the meaning of the NYSE American. In making this determination, our Board of Directors considered the relationships that each of these non-employee directors has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence. As required under applicable NYSE American rules, we anticipate that our independent directors will meet in regularly scheduled executive sessions at which only independent directors are present.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES***Audit Fees*

Our independent auditor, D. Brooks and Associates CPA's billed an aggregate of \$32,078 for the year ended December 31, 2018 audit and the quarterly reviews for the year ended December 31, 2018. D. Brooks and Associates CPA's billed \$26,076 for the December 31, 2017 audit, quarterly reviews for the year ended December 31, 2017 and audit related fees. In addition, \$17,515 and \$1,400 was billed for tax services in 2018 and 2017, respectively. Audit Fees and Audit Related Fees consist of fees billed for professional services rendered for auditing our Financial Statements, reviews of interim Financial Statements included in quarterly reports, services performed in connection with other filings with the Securities & Exchange Commission and related comfort letters and other services that are normally provided by our independent auditors in connection with statutory and regulatory filings or engagements. Tax Fees consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions. All Other Fees consists of fees billed for professional services associated with the consent by auditors related to the audited financial statements of EnerJex and Agribotix and not paid to D. Brooks and Associates CPA's.

	<b>2018</b>	<b>2017</b>
Audit Fees	\$ 32,078	\$ 26,076
Audit-Related Fees	1,000	1,064
Tax Fees	17,515	1,400
All Other Fees	21,000	—
Total	<u>\$ 71,593</u>	<u>\$ 28,540</u>

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES**

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">3.1</a>	<a href="#">Amended and Restated Articles of Incorporation, as currently in effect (incorporated by reference to Exhibit 3.1 to the Form 10-Q filed on August 14, 2008)</a>
<a href="#">3.2</a>	<a href="#">Certificate of Amendment of Articles of Incorporation as filed with the Nevada Secretary of State on May 29, 2014 (incorporated herein by reference as Exhibit 3.1 on Current Report Form 8-K filed on May 29, 2014)</a>
<a href="#">3.3</a>	<a href="#">Certificate of Amendment of Articles of Incorporation (incorporated by reference as Exhibit 3.1 on Current Report Form 8-K filed on May 29, 2014)</a>
<a href="#">3.4</a>	<a href="#">Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (incorporated herein by reference as Exhibit 4.1 on Current Report Form 8-K filed on March 11, 2015)</a>
<a href="#">3.5</a>	<a href="#">Certificate of Designation of Series C Preferred Stock filed with the Nevada Secretary of State on April 27, 2017 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on April 28, 2018)</a>
<a href="#">3.6</a>	<a href="#">Amendment to Certificate of Designation of Series C Preferred Stock (incorporated by reference to Exhibit 3.3 to the Form 8-K filed on March 29, 2018)</a>
<a href="#">3.7</a>	<a href="#">Certificate of Designation for Series A Preferred Stock (incorporated by reference to Exhibit 4.1 to the Form 8-K filed on January 6, 2011).</a>
<a href="#">3.8</a>	<a href="#">Amended and Restated Certificate of Designation of Preferences, Rights and Limitations of the 10% Series A Redeemable Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 to the Form 8-K filed on March 29, 2018)</a>
<a href="#">3.9</a>	<a href="#">Certificate of Amendment to Amended and Restated Certificate of Designation of Preferences, Rights and Limitations of the 10% Series A Redeemable Perpetual Preferred Stock (incorporated by reference to Exhibit 3.2 to the Form 8-K filed on March 29, 2018)</a>
<a href="#">3.10</a>	<a href="#">Certificate of Amendment to the Articles of Incorporation of EnerJex Resources, Inc. to change the company's name (incorporated by reference to Exhibit 3.4 to the Form 8-K filed on March 29, 2018)</a>
<a href="#">3.11</a>	<a href="#">Certificate of Amendment to the Articles of Incorporation of EnerJex Resources, Inc. to effect a 1-for-25 reverse stock split (incorporated by reference to Exhibit 3.5 to the Form 8-K filed on March 29, 2018)</a>
<a href="#">3.12</a>	<a href="#">Articles of Merger, dated March 26, 2018, by and between AgEagle Aerial Systems, Inc. and AgEagle Merger Sub, Inc.(incorporated by reference from Exhibit 3.6 on Form 8-K filed on March 29, 2018)</a>
<a href="#">3.13</a>	<a href="#">Amended and Restated Bylaws, as currently in effect (incorporated by reference to Appendix C to Schedule 14A filed on May 22, 2013)</a>
<a href="#">3.14</a>	<a href="#">Certificate of Designation of Series D 8% Preferred Stock filed with the Nevada Secretary of State on December 26, 2018 (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on December 28, 2018)</a>
<a href="#">4.1</a>	<a href="#">Form of 8% Convertible Debenture due November 6, 2016 (Incorporated by reference to the Registration Statement on Form S-1 (Reg. No. 333-226324) originally filed on July 24, 2018)</a>

Table of Contents

- [4.2](#) [Form of 8% Convertible Debenture due June 30, 2017 \(Incorporated by reference to the Registration Statement on Form S-1 \(Reg. No. 333-226324\) originally filed on July 24, 2018\)](#)
- [4.3](#) [Common Stock Purchase Warrant, dated as of December 27, 2018 issued to Alpha Capital Anstalt \(incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on December 28, 2018\)](#)
- [10.2](#) [Incubator Lease Agreement, dated August 28, 2015, between the City of Neodosha, Kansas and the Registrant \(Incorporated by reference to the Registration Statement on Form S-1 \(Reg. No. 333-226324\) originally filed on July 24, 2018\)](#)
- [10.3](#) [2017 Equity Incentive Plan of the Registrant \(Incorporated by reference to the Registration Statement on Form S-1 \(Reg. No. 333-226324\) originally filed on July 24, 2018\)](#)
- [10.5](#) [Agreement, dated May 13, 2016, between the Registrant and Botlink, LLC \(Incorporated by reference to the Registration Statement on Form S-1 \(Reg. No. 333-226324\) originally filed on July 24, 2018 \)](#)
- [10.7](#) [Offer Letter, dated July 9, 2017, between the Registrant and Barrett Mooney \(incorporated by reference to Exhibit 10.1 on Form 8-K filed on July 19, 2018\)](#)
- [10.8](#) [Form of Deed in Lieu of Foreclosure, dated March 26, 2018 \(incorporated by reference to Exhibit 10.1 on Form 8-K filed on March 29, 2018\)](#)
- [10.9](#) [Form of Release and Covenant Not to Sue, dated March 26, 2018 \(incorporated by reference to Exhibit 10.2 on Form 8-K filed on March 29, 2018\)](#)
- [10.10](#) [Form of Promissory Note between EnerJex Resources, Inc. and Pass Creek Resources, LLC dated March 26, 2018 \(incorporated by reference to Exhibit 10.3 on Form 8-K filed on March 29, 2018\)](#)
- [10.11](#) [Form of Additional Issuance and Exchange Agreement, dated March 26, 2018, by and among EnerJex Resources, Inc. and the investor named therein, relating to the purchase of shares of Series C Preferred Stock \(incorporated by reference to Exhibit 10.4 on Form 8-K filed on March 29, 2018\)](#)
- [10.12](#) [Voting Agreement, dated as of October 19, 2017, by and among EnerJex Resources, Inc. and a principal stockholder of AgEagle \(incorporated by reference to Exhibit 10.1 on Form 8-K filed October 20, 2017\)](#)
- [10.13](#) [Form of Exchange Agreement dated November 20, 2017 between the Registrant and Agribotix LLC \(Incorporated by reference to the Registration Statement on Form S-1 \(Reg. No. 333-226324\) originally filed on July 24, 2018\)](#)
- [10.14](#) [Form of Agribotix Distribution and Resale Agreement dated November 20, 2017 \(Incorporated by reference to the Registration Statement on Form S-1 \(Reg. No. 333-226324\) originally filed on July 24, 2018\)](#)

Table of Contents

<a href="#">10.15</a>	<a href="#">Form of AgEagle Dealer Agreement (Incorporated by reference to the Registration Statement on Form S-1 (Reg. No. 333-226324) originally filed on July 24, 2018)</a>
<a href="#">10.16</a>	<a href="#">ASSET PURCHASE AGREEMENT, dated as of July 25, 2018, into by and among the (i) Registrant, (ii) EAGLE AERIAL SYSTEMS, INC., a Nevada corporation and wholly-owned subsidiary of Registrant, (iii) AGRIBOTIX, LLC, a Colorado limited liability company, (iv) the individuals listed on the signature page thereof, and (v) Paul Hoff, in his capacity as the representative of the Seller Investor. (Incorporated by reference to Exhibit 10.1 on Form 8-K filed on July 31, 2018).</a>
<a href="#">10.17</a>	<a href="#">Securities Purchase Agreement, dated December 27, 2018, by and between the Registrant and Alpha Capital Anstalt (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 28, 2018)</a>
<a href="#">10.18</a>	<a href="#">Registration Rights Agreements, dated December 27, 2018, by and between the Registrant and Alpha Capital Anstalt (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on December 28, 2018)</a>
<a href="#">10.19*</a>	<a href="#">Offer Letter for Nicole Fernandez-McGovern dated January 1, 2019</a>
<a href="#">10.20*</a>	<a href="#">AgEagle Employee Confidentiality and Proprietary Rights Agreement between AgEagle Aerial Systems Inc and Nicole Fernandez-McGovern dated January 1, 2019</a>
<a href="#">10.21*</a>	<a href="#">Colorado Commercial Lease Agreement by and between Advanced Radar Company and Agribotix LLC, dated June 1, 2018</a>
<a href="#">10.22*</a>	<a href="#">AgEagle Building Lease Extension Letter dated August, 17, 2018</a>
<a href="#">14.1</a>	<a href="#">Code of Ethics of the Registrant Applicable To Directors, Officers And Employees (Incorporated by reference to the Registration Statement on Form S-1 (Reg. No. 333-226324) originally filed on July 24, 2018)</a>
<a href="#">21.1*</a>	<a href="#">List of Subsidiaries</a>
<a href="#">31.1*</a>	<a href="#">Rule 13(a)-14(a)/15(d)-14(a) Certification of principal executive officer</a>
<a href="#">31.2*</a>	<a href="#">Rule 13(a)-14(a)/15(d)-14(a) Certification of principal financial officer</a>
<a href="#">32.1*</a>	<a href="#">Section 1350 Certification of principal executive officer</a>
<a href="#">32.2*</a>	<a href="#">Section 1350 Certification of principal financial officer and principal accounting officer</a>
101.INS	XBRL INSTANCE DOCUMENT
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

\* Filed herewith



**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**AGEAGLE AERIAL SYSTEMS INC.**

Dated : March 28, 2019

By: /s/ Barrett Mooney  
Barrett Mooney  
Chief Executive Officer

Dated : March 28, 2019

By: /s/ Nicole Fernandez-McGovern  
Nicole Fernandez-McGovern  
Chief Financial Officer

## INDEX TO FINANCIAL STATEMENTS

<b>Contents</b>	<b>Page No.</b>
<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	F-2
<a href="#"><u>Consolidated Balance Sheets at December 31, 2018 and 2017</u></a>	F-3
<a href="#"><u>Consolidated Statements of Operations for the Years Ended December 31, 2018 and 2017</u></a>	F-4
<a href="#"><u>Consolidated Statement of Stockholders' Equity (Deficit) for the Years Ended December 31, 2018 and 2017</u></a>	F-5
<a href="#"><u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2018 and 2017</u></a>	F-6
<a href="#"><u>Notes to the Consolidated Financial Statements</u></a>	F-7



# D. Brooks and Associates CPA's, P.A.

Certified Public Accountants • Certified Valuation Analysts

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Stockholders of AgEagle Aerial Systems, Inc.

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of AgEagle Aerial Systems, Inc. (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years ended December 31, 2018 and 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of AgEagle Aerial Systems, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended December 31, 2018 and 2017, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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



D. Brooks and Associates CPA's, P.A.

We have served as the Company's auditor since 2015.

Palm Beach Gardens, Florida

March 28, 2019

D. Brooks and Associates CPA's, P.A. 4440 PGA Blvd., Suite 104, Palm Beach Gardens, FL 33410 – (561) 429-6225

**AGEAGLE AERIAL SYSTEMS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

ASSETS	As of December 31,	
	2018	2017
<b>CURRENT ASSETS:</b>		
Cash	\$ 2,601,730	\$ 35,289
Accounts receivable	93	255
Inventories	149,482	158,632
Prepaid and other current assets	80,370	3,384
Total current assets	2,831,675	197,560
Property and equipment, net	28,374	38,703
Investment in unconsolidated investee	—	75,000
Intangible assets, net	677,118	—
Goodwill	3,270,984	—
Total assets	\$ 6,808,151	311,263
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Accounts payable	\$ 197,827	\$ 426,154
Accrued expenses	41,841	59,354
Accrued interest	1,333	185,335
Contract liability	4,892	—
Payroll liabilities	13,521	5,521
Convertible notes payable	—	1,160,005
Promissory note	40,998	—
Promissory notes - related party	—	131,050
Total current liabilities	300,412	1,967,419
Total liabilities	300,412	1,967,419
<b>COMMITMENTS AND CONTINGENCIES (SEE NOTE 11)</b>		
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>		
Preferred stock, \$0.001 par value, 25,000,000 shares authorized:		
Preferred stock, Series B, \$0.001 par value, 0 shares authorized, 0 shares issued and outstanding at December 31, 2018	—	—
Preferred stock, Series C Convertible, \$0.001 par value, 10,000 shares authorized, 4,662 shares issued and outstanding at December 31, 2018	5	—
Preferred stock, Series D Convertible, \$0.001 par value, 2,000 shares authorized, 2,000 shares issued and outstanding at December 31, 2018	2	—
Common Stock, \$0.001 par value, 250,000,000 shares authorized, 12,549,394 shares issued and outstanding at December 31, 2018	12,549	—
Common Stock, \$0.0001 par value, 100,000,000 shares authorized, 4,200,000 shares issued and outstanding at December 31, 2017	—	420
Additional paid-in capital	12,171,274	1,939,832
Accumulated deficit	(5,676,091)	(3,596,408)
Total stockholders' equity (deficit)	\$ 6,507,739	\$ (1,656,156)
Total liabilities and stockholders' equity (deficit)	\$ 6,808,151	\$ 311,263

See Accompanying Notes to Consolidated Financial Statements.

**AGEAGLE AERIAL SYSTEMS, INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

	For the Year Ended December 31,	
	2018	2017
<b>Revenues</b>	\$ 107,813	\$ 116,035
Cost of sales	61,680	93,359
<b>Gross Profit</b>	46,133	22,676
<b>Operating Expenses:</b>		
Selling expenses	77,139	31,004
General and administrative	1,333,371	247,837
Professional fees	696,222	410,698
<b>Total Operating Expenses</b>	2,106,732	689,539
<b>Loss from Operations</b>	(2,060,599)	(666,863)
<b>Other Income (Expenses):</b>		
Other income	13,333	12,458
Interest expense	(32,417)	(142,810)
<b>Total Other Expenses, Net</b>	(19,084)	(130,352)
<b>Loss Before Income Taxes</b>	(2,079,683)	(797,215)
Provision for income taxes	—	—
<b>Net Loss</b>	\$ (2,079,683)	\$ (797,215)
<b>Net Loss Per Share - Basic and Diluted</b>	\$ (0.25)	\$ (0.19)
<b>Weighted Average Number of Shares Outstanding During the Period -- Basic and Diluted</b>	8,175,639	4,200,000

See Accompanying Notes to Consolidated Financial Statements.

**AGEAGLE AERIAL SYSTEMS, INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Par \$.0001 Preferred Stock Series A Shares	Preferred Stock Series A Amount	Par \$.0001 Preferred Stock Series B Shares	Preferred Stock Series B Amount	Par \$.0001 Preferred Stock Series C Shares	Preferred Stock Series C Amount	Par \$.0001 Preferred Stock Series D Shares	Preferred Stock Series D Amount	Par \$.0001 Common Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
<b>Balance as of December 31, 2016</b>	37,530	\$ —	71	\$ —	—	\$ —	—	\$ —	336,957	\$ 420	\$ 1,902,161	\$ (2,799,193)	\$ (896,612)
Pre-merger issuances of shares	42,470	—	(56)	—	12	—	—	—	94,756	—	—	—	—
Pre-merger conversion of shares	—	—	—	—	—	—	—	—	220,083	—	—	—	—
Issuance of employee and director stock options	—	—	—	—	—	—	—	—	—	—	6,397	—	6,397
Warrants issued with convertible promissory note	—	—	—	—	—	—	—	—	—	—	9,082	—	9,082
Share compensation period costs	—	—	—	—	—	—	—	—	—	—	22,192	—	22,192
Net loss	—	—	—	—	—	—	—	—	—	—	—	(797,215)	(797,215)
<b>Balance as of December 31, 2017</b>	80,000	—	14	—	12	—	—	—	651,796	420	1,939,832	(3,596,408)	(1,656,156)
Pre-merger issuances and conversions of shares	(80,000)	—	(6)	—	(12)	—	—	—	3,548,204	—	—	—	—
Sale of Series C preferred stock	—	—	—	—	250	—	—	—	—	—	250,000	—	250,000
Founder stock returned to company	—	—	—	—	—	—	—	—	(75,000)	(75)	75	—	—
Shares repurchased from shareholder	—	—	—	—	—	—	—	—	(139,567)	(140)	(210,503)	—	(210,643)
Conversion of Series B and C preferred stock	—	—	(8)	—	(2,467)	(2)	—	—	1,616,470	1,616	(1,614)	—	—
Exercise of options	—	—	—	—	—	—	—	—	55,801	56	(56)	—	—
Issuance of Common Stock for consulting services	—	—	—	—	—	—	—	—	185,000	185	400,415	—	400,600
AgEagle debt conversion into Common Stock	—	—	—	—	—	—	—	—	787,891	788	1,503,015	—	1,503,803
AgEagle shareholder Common Stock conversion to EnerJex common shares	—	—	—	—	2,056	2	—	—	2,757,063	6,537	(6,539)	—	—
Acquisition of Agribotix	—	—	—	—	—	—	—	—	1,275,000	1,275	2,998,725	—	3,000,000
Issuance of common and preferred stock for EnerJex shareholders upon merger	—	—	—	—	197	—	—	—	1,886,736	1,887	(762,662)	—	(760,775)
Issuance of Series C Common Stock in connection with merger, net of \$20K in fees	—	—	—	—	4,626	5	—	—	—	—	3,979,995	—	3,980,000
Issuance of Series D preferred stock and warrants for cash	—	—	—	—	—	—	2,000	2	—	—	1,969,998	—	1,970,000
Share compensation period costs	—	—	—	—	—	—	—	—	—	—	110,593	—	110,593
Net loss	—	—	—	—	—	—	—	—	—	—	—	(2,079,683)	(2,079,683)
<b>Balance as of December 31, 2018</b>	—	\$ —	—	\$ —	4,662	\$ 5	2,000	\$ 2	12,549,394	\$ 12,549	\$ 12,171,274	\$ (5,676,091)	\$ 6,507,739

**Note:** Amounts have been adjusted to reflect 25 to 1 stock split upon merger

See Accompanying Notes to Consolidated Statement of Changes in Stockholders' Equity (Deficit).

**AGEAGLE AERIAL SYSTEMS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<b>For the Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (2,079,683)	\$ (797,215)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	65,362	18,453
Issuance of employee and director stock options	—	6,397
Stock-based compensation	110,593	22,192
Shares issued for professional services	400,600	—
Warrants issued with convertible promissory note	—	9,082
Accretion for debt discounts, warrants and issuance costs	—	25,000
Changes in assets and liabilities:		
Accounts receivable	163	18,631
Inventories	12,836	(1,228)
Prepaid expenses and other assets	(76,986)	(10,228)
Deferred Revenue	(1,927)	—
Accounts payable	(228,327)	349,729
Accrued liabilities	(17,513)	(67,709)
Accrued interest	28,744	106,315
Accrued payroll liabilities	8,000	(8,297)
Net cash used in operating activities	<u>(1,778,138)</u>	<u>(328,878)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	—	(12,775)
Cash received in reverse merger	256,255	—
Payments of liabilities assumed in reverse merger	(891,474)	—
Acquisition of Agribotix	(925,000)	(75,000)
Net cash used in investing activities	<u>(1,560,219)</u>	<u>(87,775)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from the issuance of convertible notes payable	—	335,005
Proceeds from the issuance of promissory note – related party	—	101,050
Payments of the principle on note payable	(84,559)	—
Shares repurchased from shareholder	(210,643)	—
Proceeds from the issuance of Common Stock and Series C convertible preferred stock in connection with merger, net of \$20,000 in fees	3,980,000	—
Proceeds from the sale of Series C convertible preferred stock	250,000	—
Proceeds from the issuance of Common Stock Series D	1,970,000	—
Net cash provided by financing activities	<u>5,904,798</u>	<u>436,055</u>
Net increase in cash	2,566,441	19,402
Cash at beginning of period	35,289	15,887
Cash at end of period	<u>\$ 2,601,730</u>	<u>\$ 35,289</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest cash paid	\$ 39,313	\$ —
Income taxes paid	\$ —	\$ —
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Assets acquired (liabilities assumed) in reverse merger:		
Cash	\$ 256,255	\$ —
Accounts payable	(891,474)	—
Promissory note	(125,556)	—
Net liabilities assumed	<u>\$ (760,775)</u>	<u>\$ —</u>
Conversion of debt into Common Stock	<u>\$ 1,503,801</u>	<u>\$ —</u>
Conversion of Series B and C preferred stock into Common Stock	<u>\$ 613</u>	<u>\$ —</u>
Acquisition of Agribotix:		
Issuance of Common Stock as consideration	\$ 3,000,000	\$ —
Cash paid in the prior year	75,000	—
Deferred revenue	6,819	—
Inventory	(3,685)	—
Fixed assets	(7,650)	—
Intangible assets	(724,500)	—
Goodwill	(3,270,984)	—
Cash paid for acquisition	<u>\$ (925,000)</u>	<u>\$ —</u>





**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 1 – Description of Business**

AgEagle Aerial Systems, Inc. (“AgEagle” or “the Company”) was created to pioneer, innovate and advance aerial imaging data collection and analytics technologies capable of addressing the impending food and environmental sustainability crises that threaten the planet. The Company’s daily efforts are focused on delivering the metrics, tools and strategies necessary to define and implement intelligent sustainability and precision farming solutions that solve important problems confronting the agricultural industry. Since its founding in 2010, the Company has remained intent on becoming a trusted partner to major food manufacturers and precision growers seeking to adopt and support productive agricultural approaches to better farming practices which limit impact on natural resources, reduce reliance on inputs and materially increase crop yields and profits.

The Company designs, produces, distributes and supports technologically-advanced small unmanned aerial vehicles (UAVs or drones) that AgEagle offers for sale commercially to the precision agriculture industry. In addition to UAV sales, in late 2018, the Company introduced a new drone-leasing program, alleviating farmers and agribusinesses from significant upfront costs associated with purchasing a drone, while also relieving them from ongoing drone maintenance and support requirements. Additionally, the new program provides the option of engaging a trained AgEagle pilot to operate the drone and manage the entire image collection process, creating a truly turnkey aerial imagery capture solution for its customers.

Additionally, the Company recently announced a new service offering using its leased UAVs and associated data processing services for the sustainable agriculture industry. AgEagle is the nation’s first drone-based aerial imagery company to utilize leading-edge data capture technology and customized analytics solutions to help promote and proactively support corporate and farming sustainability initiatives.

On August 28, 2018, AgEagle acquired all right, title and interest in and to all assets owned by Agribotix, LLC to be utilized in their business of providing integrated agricultural drone solutions and drone-enabled software technologies and services for precision agriculture. AgEagle’s management believes that purchasing Agribotix’s primary product, *FarmLens*™, will benefit the Company and its shareholders by developing important vertically integrated products and services. *FarmLens* is a subscription cloud analytics service that processes data, primarily collected with a drone such as ours, and makes such data actionable by farmers and agronomists. *FarmLens* is currently sold by the Company as a subscription service and offered either standalone or in a bundle with drone platforms manufactured by leading drone providers like AgEagle, DJI and senseFly.

The Company is headquartered in Neodesha, Kansas. Its website address is <http://www.ageagle.com>.

***Corporate History; Recent Business Combinations***

On March 26, 2018 (the “Merger Date”), the Company consummated the transactions contemplated by that certain Agreement and Plan of Merger (the “Merger Agreement”), dated October 19, 2017, pursuant to which AgEagle Merger Sub, Inc., a Nevada corporation and the Company’s wholly-owned subsidiary, merged with and into AgEagle Aerial Systems Inc., a privately held company organized under the laws of the state of Nevada (“AgEagle Sub”), with AgEagle Sub surviving as its wholly-owned subsidiary (the “Merger”). In connection with the Merger, the Company changed its name to AgEagle Aerial Systems Inc. and AgEagle Sub changed its name to “AgEagle Aerial, Inc.” The Company’s Common Stock continues to trade on the NYSE American under its new symbol “UAVS” since March 27, 2018.

Prior to the merger, the Company was formerly known as Millennium Plastics Corporation and was incorporated in the State of Nevada on March 31, 1999. In August 2006, the Company acquired Midwest Energy, Inc., a Nevada corporation pursuant to a reverse merger. After such merger, Midwest Energy became a wholly-owned subsidiary, and as a result of such merger, the former Midwest Energy stockholders controlled approximately 98% of our outstanding shares of Common Stock. The Company changed its name to EnerJex Resources, Inc., (“EnerJex”) in connection with this merger, and in November 2007, changed the name of Midwest Energy (one of our wholly-owned subsidiaries) to EnerJex Kansas, Inc. (“EnerJex Kansas”). All of its operations conducted prior to this merger were through EnerJex Kansas, Inc., Black Sable Energy, LLC, a Texas limited liability company (“Black Sable”) and Black Raven Energy Inc. a Nevada corporation (“Black Raven”). The Company’s leasehold interests were held in our wholly-owned subsidiaries Black Sable, Working Interests LLC, EnerJex Kansas and Black Raven.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 1 – Description of Business-Continued**

On August 28, 2018, the Company closed the transactions contemplated by the previously announced Asset Purchase Agreement (the “Purchase Agreement”) dated July 25, 2018 with AgEagle Aerial, Inc., a wholly-owned subsidiary of the Company, Agribotix, LLC, a Colorado limited liability company (sometimes also referred to herein as “Agribotix” or the “Seller”), and the other parties named therein. Pursuant to the Purchase Agreement, the Company acquired all right, title and interest in and to all assets owned by the Seller utilized in the Seller’s business of providing integrated agricultural drone solutions and drone-enabled software technologies and services for precision agriculture, except for certain excluded assets as set forth in the Purchase Agreement. At closing, the Company also assumed certain liabilities under various third-party contracts pursuant to the terms of the Purchase Agreement.

**Note 2 – Summary of Significant Accounting Policies**

*Basis of Presentation and Consolidation* - These financial consolidated statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States. The Company’s consolidated financial statements are prepared using the accrual method of accounting. The Company has elected a December 31 fiscal year end.

The consolidated financial statements include the accounts of AgEagle Aerial Systems Inc. and its wholly-owned subsidiaries AgEagle Aerial, Inc. EnerJex Kansas, Inc., Black Sable Energy, LLC, Black Raven Energy, Inc. All significant intercompany balances and transactions have been eliminated consolidation.

The summary of significant accounting policies presented below is designed to assist in understanding the Company’s consolidated financial statements. Such consolidated financial statements and accompanying notes are the representations of the Company’s management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (“US GAAP”) in all material respects, and have been consistently applied in preparing the accompanying consolidated financial statements.

*Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for bad debt, warranty and dealer termination costs, obsolete inventory, valuation of stock issued for services and stock options, valuation of intangible assets and the valuation of deferred tax assets.

*Fair Value of Financial Instruments* - Unless otherwise disclosed, the fair value of the Company’s financial instruments, including cash, accounts receivable, convertible debt, promissory notes, accounts payable and accrued expenses, approximates their recorded values due to their short-term maturities.

*Cash and Cash Equivalents* - Cash and cash equivalents includes any highly liquid investments with an original maturity of three months or less.

*Receivables and Credit Policy* - Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Terms with our distributor allow for payment terms of 45 days from the invoice date. Trade receivables are stated at the amount billed to the customer. The Company generally does not charge interest on overdue customer account balances. Payments of trade receivables are allocated to the specific invoices identified on the customer’s remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The Company estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company’s estimate of the allowance for doubtful accounts will change. The Company determined that no allowance was necessary as of December 31, 2018 and December 31, 2017.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

*Inventories* - Inventories, which consist of raw materials, finished goods and work-in-process, are stated at the lower of cost or net realizable value, with cost being determined by the average-cost method, which approximates the first-in, first-out method. Cost components include direct materials and direct labor, as well as in-bound freight. At each balance sheet date, the Company evaluates its ending inventories for excess quantities and obsolescence. This evaluation primarily includes an analysis of forecasted demand in relation to the inventory on hand, among consideration of other factors. The physical condition (e.g., age and quality) of the inventories is also considered in establishing its valuation. Based upon the evaluation, provisions are made to reduce excess or obsolete inventories to their estimated net realizable values. Once established, write-downs are considered permanent adjustments to the cost basis of the respective inventories. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from the amounts that the Company may ultimately realize upon the disposition of inventories if future economic conditions, customer inventory levels, product discontinuances, sales return levels or competitive conditions differ from the Company's estimates and expectations. As of December 31, 2018 and 2017, the Company had recorded a provision for obsolescence of \$10,369 and \$15,369, respectively.

*Goodwill* - We review the recoverability of goodwill whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable or on an annual basis. The estimated future cash flows are based upon, among other things assumptions about expected future operating performance, and may differ from actual cash flows. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. As of December 31, 2018, there have been no events or changes in circumstances that indicate that it is more likely than not that a goodwill impairment has occurred since assessment date of August 2018.

*Intangible Assets – Acquired in Business Combinations*-We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocate the purchase price of each acquired business to our respective net tangible and intangible assets. Acquired intangible assets include: customer relationships and trade names. We use valuation techniques to value these intangibles assets, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires us to make various assumptions and estimates including projected revenue, gross margins, operating costs, growth rates, useful lives and discount rates. Intangible assets are amortized over their estimated useful lives using the straight-line method which approximates the pattern in which the economic benefits are consumed.

*Business Combinations* - The Company recognizes, with certain exceptions, 100% of the fair value of assets acquired, liabilities assumed, and non-controlling interests when the acquisition constitutes a change in control of the acquired entity. Shares issued in consideration for a business combination, contingent consideration arrangements and pre-acquisition loss and gain contingencies are all measured and recorded at their acquisition-date fair value. Subsequent changes to fair value of contingent consideration arrangements are generally reflected in earnings. Any in-process research and development assets acquired are capitalized as of the acquisition date. Acquisition-related transaction costs are expensed as incurred. The operating results of entities acquired are included in the accompanying consolidated statements of operations from the date of acquisition.

*Revenue Recognition and Concentration*-The Company generally recognizes revenue on sales to customers, dealer and distributors upon satisfaction of our performance obligations when the goods are shipped. The Company generally ships FOB Shipping Point terms. Shipping documents are used to verify delivery and customer acceptance. The Company assesses whether the sales price is fixed or determinable based on the payment terms associated with the transaction and quantity of drones being purchased. The Company assesses collectability based on the creditworthiness of the customer as determined by evaluations and the customer's payment history. Additionally, customers are required to place a deposit on each UAV ordered.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

As a result of the Agribotix acquisition, the Company now has an additional product line which is the sale of subscription services for use of the *FarmLens*<sup>TM</sup> platform to process aerial imaging. These subscription fees are recognized ratably over each monthly membership period.

The Company has executed one significant non-exclusive worldwide distributor agreement in 2016 and amended this agreement to make it non-exclusive by allowing the Company the right to sell its products directly into the marketplace. Only the non-exclusive worldwide distributor has the right of return within twelve months of purchase up to a certain percentage of the annual sales volume less a restocking fee. As of December 31, 2018, no sales of the Company are subject to this right of return clause per the distributor agreement.

Sales concentration information for customers comprising more than 10% of the Company's total net sales such customers is summarized below:

<b>Customers</b>	<b>Percent of total sales for year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Customer A	18.0%	*
Customer B	10.4%	*
Customer C	*	20.9%

The table below reflects our revenue for the periods indicated by product mix.

<b>Type</b>	<b>For the Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Product Sales	\$ 93,219	\$ 116,035
Subscription Sales	14,594	—
<b>Total</b>	<b>\$ 107,813</b>	<b>\$ 116,035</b>

*Vendor Concentration*-As of December 31, 2018, there was one significant vendors that the Company relies upon to perform stitching its *FarmLens* platform. This vendor provided services to the Company which can be replaced by alternative vendors should the need arise.

*Shipping Costs* -Shipping costs for the year ended December 31, 2018 totaled \$ 5,239, and \$5,648 for the year ended December 31, 2017. All shipping costs billed directly to the customer are directly offset to shipping costs resulting in a net expense to the Company which is included in cost of goods sold in shipments of operations.

*Advertising Costs* – Advertising costs are expensed as incurred. Advertising costs amounted to \$1,454 for the year ended December 31, 2018, and \$11,775 for the year ended December 31, 2017.

*Earnings Per Share* - Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the year. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding plus Common Stock equivalents (if dilutive) related to warrants, options and convertible instruments.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

*Potentially Dilutive Securities* - The Company has excluded all common equivalent shares outstanding for warrants, options and convertible instruments to purchase Common Stock from the calculation of diluted net loss per share because all such securities are antidilutive for the periods presented. For the year ended December 31, 2018, the Company had 3,703,703 warrants and 1,287,103 options to purchase Common Stock, 4,662 shares of Series C Preferred Stock which may be converted into 8,633,333 shares of Common Stock. For the year ended December 31, 2017, the Company had 828,200 warrant and 1,134,800 options to purchase Common Stock, and 1,095,864 potential convertible shares which may be issued resulting from the provisions of convertible notes.

*Income Taxes* - The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Accounting for Income Taxes*. This topic requires an asset and liability approach for accounting for income taxes. The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. All income tax returns not filed more than three years ago are subject to federal and state tax examinations by tax authorities.

*Share-Based Compensation Awards* - The value we assign to the options that we issue is based on the fair market value as calculated by the Black-Scholes pricing model. To perform a calculation of the value of our options, we determine an estimate of the volatility of our stock. We need to estimate volatility because there has not been enough trading of our stock to determine an appropriate measure of volatility. We believe our estimate of volatility is reasonable, and we review the assumptions used to determine this whenever we issue a new equity instruments. If we have a material error in our estimate of the volatility of our stock, our expenses could be understated or overstated. All share-based awards are expensed on a straight-line basis over the vesting period of the options.

*Recently Issued Accounting Standards* - In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contract with Customers (Topic 606). This updated guidance supersedes the current revenue recognition guidance, including industry-specific guidance. The updated guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard provides a single set of guidelines for revenue recognition to be used across all industries and requires additional disclosures. It is effective for annual and interim reporting periods beginning after December 15, 2017.

Topic 606 requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services and recognize revenue under the new standard as costs are incurred. Under previous U.S. generally accepted accounting principles (GAAP), revenue was generally recognized when deliveries were made, performance milestones were attained, or as costs were incurred. The new standard accelerates the timing of when the revenue is recognized, however, it does not change the total amount of revenue recognized on these contracts. The new standard does not affect revenue recognition for purposes of the Company’s sales as each of the Company’s revenue transactions represent a single performance obligation that is satisfied at a point time or monthly subscription fees which are recognized ratably over the subscription period, as defined in the new ASU. Accordingly, the Company recognizes revenue for small UAVS product contracts with customers at the point in time when the transfer of control passes to the customer, which is generally when title and risk of loss transfer. The Company adopted the updated guidance effective January 1, 2018 using the full retrospective method, however the new standard did not have a material impact on the Company’s consolidated financial position and consolidated results of operations, as it did not change the manner or timing of recognizing revenue on a majority of its revenue transactions.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2 – Summary of Significant Accounting Policies-Continued**

In January 2016, the FASB issued ASU 2016-01 *Financial Instruments: Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial statements. This guidance will be effective in the first quarter of fiscal year 2019 and early adoption is not permitted. The Company is currently evaluating which transition method it will adopt and the expected impact of the updated guidance, but does not believe the adoption of the updated guidance will have a significant impact on its consolidated financial statements.

In February 2016, FASB issued Account Standards Update 2016-02 *Leases* (Topic 842) intended to improve financial reporting of leasing transaction whereby lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet. The Company is currently evaluating the impact of the updated guidance.

In August 2016, the FASB issued ASU 2016-15 *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The new guidance is intended to reduce diversity in practice in how transactions are classified in the statement of cash flows. This ASU is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01 *Business Combinations—Clarifying the definition of a business* (Topic 805). This ASU clarifies the definition of a business with the objective of providing a more robust framework to evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company's adoption of ASU No. 2017-01 effective May 1, 2018 did not have a material impact on the consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09 *Compensation—Stock Compensation* (Topic 718). This ASU reduces the diversity in practice and cost and complexity when applying the guidance in Topic 718 to a change in terms or conditions of a share-based payment award. The Company's adoption of ASU No. 2017-09 effective May 1, 2018 did not have a material impact on its consolidated financial statements.

Other recent accounting pronouncements issued by FASB did not or are not believed by management to have a material impact on the Company's present or future financial statements.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 3 — Inventories**

Inventories consist of the following at:

	December 31,	
	2018	2017
Raw materials	\$ 109,826	\$ 106,569
Work-in process	30,088	34,850
Finished goods	19,937	32,582
Gross inventory	159,851	174,001
Less obsolete reserve	(10,369)	(15,369)
Total	\$ 149,482	\$ 158,632

**Note 4 — Property and Equipment**

Property and equipment consist of the following at:

	December 31,	
	2018	2017
Property and equipment	\$ 116,313	\$ 108,664
Less accumulated depreciation	(87,939)	(69,961)
	\$ 28,374	\$ 38,703

Depreciation expense for the years ended December 31, 2018 and 2017 was \$17,980 and \$18,453 respectively.

**Note 5 — Intangible Assets**

Intangible assets are recorded at cost and consist of the assets acquired for the acquisition of Agribotix. Amortization is computed using the straight-line method over the estimated life of the asset. The Company will annually assess intangible and other long-lived assets for impairment. Intangible assets were comprised of the following at December 31, 2018:

	Estimated Life	Gross Cost	Accumulated Amortization	Net Book Value
Carrying value as of December 31, 2017		\$ —	\$ —	\$ —
Intellectual Property/Technology	5 Years	433,400	(28,893)	404,507
Customer Base	20 Years	72,000	(1,200)	70,800
Tradenames and Trademarks	5 Years	58,200	(3,880)	54,320
Non-compete Agreement	4 Years	160,900	(13,409)	147,491
Carrying value as of December 31, 2018		\$ 724,500	\$ (47,382)	\$ 677,118

Amortization expense for the years ended December 31, 2018 and 2017 was \$47,382 and \$0, respectively.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 6 —Investment in Unconsolidated Investee**

In November 2017, AgEagle Sub entered into a multi-agreement arrangement with Agribotix, headquartered in Boulder, Colorado, an agriculture information processing company providing actionable data to the agriculture industry. Pursuant to the Exchange Agreement whereby AgEagle Sub exchanged 200,000 shares of the Company’s Common Stock it received in the Merger (equal to an aggregate value of \$1,000,000) for 20% of the equity membership interests of Agribotix.

Prior to August 28, 2018, the Company accounted for its initial investment in Agribotix using the equity method of accounting. The ownership interest was accounted for as if Agribotix was a consolidated subsidiary and all identifiable assets, including goodwill and identifiable intangibles, were recorded at fair value and amortized, with this amortization recorded in “memo” and included in the Company’s portion of earnings of Agribotix. The Company acquired all the assets of Agribotix on August 28, 2018. As of the date of acquisition, the Company adjusted the difference between the carrying value of the Company’s investment to fair value, which is reflected in the purchase consideration recorded upon the acquisition of Agribotix. See Note 7. unaudited summary financial information for Agribotix for the five months ended August 28, 2018 is as follows:

**STATEMENT OF OPERATIONS**

Revenues	\$	129,171
Cost of sales		100,366
Gross profit		28,805
Operating expenses		418,333
Operating loss		(389,528)
Other expense		(3,845)
Net loss		(393,373)
Amortization of “memo” intangible assets		(88,755)
Total adjusted net loss		(482,128)
Adjustment to fair value of ownership interest	\$	(482,128)
Ownership interest		20%
Share of adjusted net income		—

**Note 7 – Acquisition**

On August 28, 2018, pursuant to the Purchase Agreement, the Company acquired, all right, title and interest in and to all assets owned by the Seller utilized in the Seller’s business of providing integrated agricultural drone solutions and drone-enabled software technologies and services for precision agriculture, except for certain excluded assets as set forth in the Purchase Agreement (the “Purchased Assets”). At closing, the Company assumed certain liabilities under various third-party contracts pursuant to the terms of the Purchase Agreement.

The consideration for the Purchased Assets made at closing included the following: (a) a cash payment of \$150,000 (of which \$110,000 was previously paid), (b) 200,000 shares of Common Stock of the Company at a value of \$5.00 per share (all of which shares were issued to the Seller pursuant to an exchange agreement between the Company and the Seller dated as of November 20, 2017), (c) an amount payable at closing equal to the sum of: (i) 500,000 shares of Common Stock at a value of \$2.00 per share (the “Closing Shares”); and (ii) \$450,000 in cash. In addition, the Seller paid on the 90th day following the closing equal to the sum of: (i) the number of shares of Common Stock that is calculated by dividing \$2,000,000 by the \$2.00 share and (ii) \$400,000 in cash.



**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 7 – Acquisition-Continued**

If revenue of the business for the one-year period ending on the first anniversary of the closing date is at least \$1,000,000, plus the Capital Investment Multiplier (as defined below), then the Seller shall earn the number of shares of Common Stock that is calculated by dividing \$250,000 by the Average Price (calculated as if the 20-trading day period to which reference is made above ends on such first anniversary), provided that in no event shall the Average Price be less than \$2.00. “Capital Investment Multiplier” means 1.5 times the amount of capital invested by the Company or its affiliates in the Seller to support and advance the business, inclusive of loans or other investments provided to Seller prior to the closing, less \$250,000.

The Purchase Agreement contains customary representations, warranties and covenants, including provisions for indemnification in the event of any damages suffered by either party as a result of, among other things, breaches of representations and warranties contained therein. An aggregate amount equal \$75,000 in cash, 50% of the number of Closing Shares and 25% of the number of Post-Closing Shares were deposited in an escrow account with a third-party escrow agent to secure the indemnification obligations of the Seller pursuant to the terms of the Purchase Agreement.

In accordance with ASC 805, “Business Combinations”, the Company accounted for the acquisition of Agribotix using the acquisition method of accounting. The purchase price was allocated to specific identifiable tangible and intangible assets at their respective fair values at the date of acquisition.

The following table summarizes the total fair value of the consideration transferred as well as the fair values of the assets acquired and liabilities assumed.

Common Stock consideration	\$	3,000,000
Cash paid		1,000,000
Total purchase consideration		<u>4,000,000</u>
Inventory		(3,685)
Property and equipment		(7,650)
Intangibles assets		(724,500)
Deferred revenue		6,819
Goodwill	\$	<u><u>3,270,984</u></u>

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected revenue and benefits of the combined company. Goodwill recognized as a result of the acquisition is not deductible for tax purposes. See Note 5 for additional information about other intangible assets. The recognized goodwill related to Agribotix is directly attributable to synergies expected to arise after the acquisition.

As noted above, control was obtained on August 28, 2018, the closing date of the transactions contemplated by the Purchase Agreement, at which time the Company took over the operations of Agribotix and personnel.

The accompanying consolidated financial statement includes the activity of Agribotix for the period after the acquisition commencing August 29, 2018 and ending December 31, 2018.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 7 – Acquisition-Continued**

The following unaudited proforma financial information gives effect to the Company’s acquisition of Agribotix as if the acquisition had occurred on January 1, 2018 and had been included in the Company’s consolidated statement of operations for the years ended December 31, 2018 and 2017:

	<b>For the years ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Revenue	\$ 314,486	\$ 357,727
Net Income	\$ (2,702,928)	\$ (1,460,046)

**Note 8 – Debt**

***Convertible Notes Payable***

On May 6, 2015, the Company closed a private placement pursuant to a subscription agreement whereby two institutional investors (the “2015 Holders”) purchased convertible notes having an aggregate principal amount of \$500,000, convertible into Common Stock of the Company at \$2.00 per share and maturing on November 6, 2016. Interest on the notes accrued at a rate of 8% annually and was payable quarterly. It was determined that there were no aggregate beneficial conversion features. On or about March 4, 2016, the Company and the 2015 Holders entered into extension and modification agreements whereby the 2015 Holders agreed to extend the maturity date of the notes to November 6, 2016, and permanently waive all rights and remedies, of whatever nature, with respect to the various defaults that occurred under this subscription agreement and notes, including, without limitation, (I) the Company’s failure to become a public SEC reporting company on or before September 30, 2015, (ii) the Company’s failure to pay interest on the notes, and (iii) modifying and waiving certain participation rights in future financings. For the years ended December 31, 2018 and 2017, the Company recorded \$9,111 and \$40,000 of interest expense, respectively. As of the Merger Date, the principal amount of the promissory note of \$500,000 and its accrued interest of \$114,556 were converted at \$1.25 per share into 814,381 shares of Common Stock.

On September 6, 2016, the Company closed a private placement pursuant to a subscription agreement whereby an existing institutional investor (the “2016 Holder”) purchased a convertible note having a principal amount of \$300,000, convertible into shares of Common Stock of the Company at \$3.00 per share and maturing on September 30, 2017. Interest on the note accrues at a rate of 8% annually and is payable quarterly. It was determined that there were no aggregate beneficial conversion features. For the years ended December 31, 2018 and 2017, the Company recorded interest expense of \$5,467 and \$24,000, respectively. As of the Merger Date, the principal amount of the promissory note of \$300,000 and its accrued interest of \$42,933 were converted at \$1.25 per share into 454,440 shares of Common Stock.

On February 3, 2017, the Company closed a private placement pursuant whereby a bridge loan (the “2017 Note A”) agreement was executed with an accredited investor (the “2017 Holder Note A”) to purchase a convertible promissory note with an aggregate principal amount of \$175,000, an original issue discount of \$25,000, convertible into shares of Common Stock of the Company at \$2.50 per share and maturing 90 days following issuance, or May 4, 2017. After payment of a finder’s fee and other expenses, the Company received net proceeds of \$101,250. In addition, the Company also issued to the 2017 Holder Note A warrant to purchase 200,000 shares of the Company’s Common Stock at an exercise price per share of \$2.50. To the extent the entire unpaid principal balance of the note is not paid in full on the maturity date, (i) interest on the unpaid principal balance will accrue from the maturity date at the rate of 18% per annum, and will continue until the date the note is paid in full, and (ii) the Company will issue to the 2017 Holder Note A an additional warrant to purchase 100,000 shares of Common Stock for each ninety (90) calendar day period that the unpaid principal balance of the note and any accrued interest is not paid in full by such date. Upon conversion as of Merger Date, the Company had issued an additional 300,000 warrants to purchase shares resulting from the default of the loan.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 8 – Debt-Continued**

For the year ended December 31, 2018, the Company recorded \$7,077 of interest expense. For the year ended December 31, 2017 the Company recorded interest expense of \$ 28,566 and the \$25,000 of original issue discount. For the year ended December 31, 2018, the Company recorded \$7,077 of interest expense. As of the date of the merger on March 26, 2018, the principal amount of the promissory note of \$175,000 and its accrued interest of \$35,642 were converted at \$2.50 per share into 139,567 shares of Common Stock.

On July 2017, the Company closed a private placement pursuant to a subscription agreement whereby an existing institutional investor (the “2017 Note B”) purchased a convertible note having a principal amount of \$100,005, convertible into Common Stock of the Company at \$2.00 per share and maturing on February 28, 2018. Interest on the note accrues at a rate of 8% annually payable upon maturity. It was determined that there were no aggregate beneficial conversion features. For the years ended December 31, 2018 and 2017, the Company recorded \$1,822 and \$3,778 of interest expense, respectively. As of the Merger Date, the principal amount of the promissory note of \$100,005 and its accrued interest of \$5,600 were converted at \$1.25 per share into 139,943 shares of Common Stock.

On September 2017, the Company closed a private placement pursuant to a subscription agreement whereby an existing institutional investor (the “2017 Note C”) purchased a convertible note having a principal amount of \$35,000, convertible into shares of Common Stock of the Company at \$2.00 per share and maturing on February 28, 2018. Interest on the note accrues at a rate of 8% annually payable upon maturity. It was determined that there were no aggregate beneficial conversion features. For the years ended December 31, 2018 and 2017, the Company recorded \$638 and \$731 of interest expense, respectively. As of the Merger Date, the principal amount of the promissory note of \$35,000 and the accrued interest of \$1,369 were converted at \$1.25 per share into 48,194 shares of Common Stock.

On October 2017, the Company closed a private placement pursuant to a subscription agreement whereby an existing institutional investor purchased a convertible note having a principal amount of \$50,000, (the “2017 Note D”) convertible into shares of Common Stock of the Company at \$2.00 per share and maturing on February 28, 2018. Interest on the note accrues at a rate of 8% annually payable upon maturity. It was determined that there were no aggregate beneficial conversion features. For the years ended December 31, 2018 and 2017, the Company recorded \$911 and \$811 of interest expense, respectively. As of the Merger Date, the principal of \$50,000 and the accrued interest of \$1,722 were converted at \$1.25 per share into 68,540 shares of Common Stock.

***Promissory Notes***

On December 15, 2016, the Company issued a promissory note with an aggregate principal amount of \$30,000 to a shareholder of the Company. On January 24, 2017, the Company issued a second promissory note with an aggregate principal amount of \$30,000 to the same related party. On September 14 2017, the Company issued a third promissory note with an aggregate principal amount of \$16,050 to the same shareholder. All three promissory notes (the “Related Party Notes A”) accrue interest at an annual rate of 2% and matured on November 6, 2017. On or about August 1, 2017, the Company and the shareholder promissory note A holder entered into extension and modification agreements whereby they agreed to extend the maturity date of the Related Party Notes A to February 28, 2018, added a conversion feature whereby the debt can be converted into shares of Common Stock of the Company at \$2.00 per share and amended the interest rate on the note retroactively to accrue at a rate of 8% annually. It was determined that there were no aggregate beneficial conversion features. For the years ended December 31, 2018 and 2017, the Company recorded \$1,386 and \$5,420 of interest expense, respectively. As of the Merger Date, the principal of \$76,050 and the accrued interest of \$7,239 were converted at \$1.25 per share into 110,371 shares of Common Stock.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 8 – Debt-Continued**

On March 5, 2017, the Company issued a promissory note with an aggregate principal amount of \$10,000 to an executive of the Company. On May 15, 2017, the Company issued a second promissory note with an aggregate principal amount of \$10,000 to the same executive of the Company. On September 15, 2017, the Company issued a 3<sup>rd</sup> promissory note with an aggregate principal amount of \$32,000 to the same executive of the Company. On July 25, 2017, the Company issued a 3<sup>rd</sup> promissory note with an aggregate principal amount of \$3,000 to the same executive of the Company with the amended terms agreed to on August 1, 2017 per the modification agreement. The promissory notes (the “Related Party Notes B”) accrue interest at an annual rate of 2% and mature on November 6, 2017. On or about August 1, 2017, the Company and the executive of the Company promissory note B holder entered into extension and modification agreements whereby they agreed to extend the maturity date of the Related Party Notes B to February 28, 2018, added a conversion feature whereby the debt can be converted into shares of Common Stock of the Company at \$2.00 per share and amended the interest rate on the note retroactively to accrue at a rate of 8% annually. It was determined that there were no aggregate beneficial conversion features. For the years ended December 31, 2018 and 2017 the Company recorded \$1,002 and \$2,684 of interest expense, respectively. As of the Merger Date, the principal of \$55,000 and the accrued interest of \$3,686 were converted at \$1.25 per share into 77,769 shares of Common Stock.

As of the Merger Date, all the AgEagle shares of Common Stock issued in connection with conversion of debt noted above were subsequently converted into EnerJex shares and then split at a rate of 25 to 1 resulting in a conversion rate of 1.6564 per AgEagle share into a total of 787,891 shares of EnerJex Common Stock and 1,631 shares of Series C Preferred Stock.

As part of the liabilities assumed from the EnerJex Merger, the Company recorded a promissory note for a principal amount of \$125,556 and accrued interest of \$4,171 payable over twelve months and maturing on March 27, 2019. The total amount outstanding as of December 31, 2018 was \$40,998, resulting in payments of \$88,729 made in 2018. The Company recorded interest of \$3,670 for the year ended December 31, 2018.

**Note 9 – Equity**

***Capital Stock Issuances***

As a result of the Merger all the holders of the Company’s 10% Series A Cumulative Redeemable Perpetual Preferred Stock (the “Series A Preferred Stock”) had their shares automatically converted into 902,186 shares of the Company’s Common Stock. The Company’s Series B Convertible Preferred Stock of 8.25 shares (the “Series B Preferred Stock”) remained outstanding and were convertible into 5,388 shares of the Company’s Common Stock. The Company’s Series C Convertible Preferred Stock (the “Series C Preferred Stock”) included 2,879 of remaining shares after the conversion and retirement of all the Company’s promissory notes due. These shares are convertible into 1,471,425 shares of the Company’s Common Stock. Furthermore, an additional 4,000 shares of Series C Preferred Stock were issued and are convertible into 3,020,797 shares of the Company’s Common Stock, as they were issued to the current holder of Series C Preferred Stock in connection with a \$4 million financing of Series C Preferred Stock (the “Financing”).

On May 11, 2018, we issued an additional 250 shares of our Series C Preferred Stock, convertible into 163,265 shares of our Common Stock and received a cash payment of \$250,000 for the issuance of the Series C Preferred Stock. The Series C Preferred Stock includes a beneficial ownership limitation preventing conversion of shares of Series C Preferred Stock into more than 9.99% of the number of shares of our Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of the Series C Preferred Stock.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 9 – Equity-Continued**

On April 16, 2018, Alpha Capital Anstalt converted 8.25 shares of Series B Preferred Stock, representing the last of the outstanding Series B share: into 5,388 shares of Common Stock at a conversion price of \$1.53.

During the year ended December 31 2018, Alpha Capital Anstalt converted 2,467 shares of Series C Preferred Stock into 1,611,082 shares o Common Stock at a conversion price of \$1.53.

In connection with an investor relations agreement, dated April 4, 2018, the Company issued 60,000 shares of its Common Stock to the investo relations firm, and its designees, and agreed to register such shares on its next registration statement (the “Registration Rights”). On July 24, 2018, in connection with the filing of the Company’s registration statement on form S-1, a waiver of the Registration Rights was obtained from the investor relations firm in exchange for 125,000 additional shares, which were issued by the Company and approved by the Board. The Company recognized a total of \$400,411 of investor relations expense at a fair value of \$2.12 and \$2.26 per share within general and administrative costs related to these issuances.

On August 28, 2018 and ninety-days thereafter, pursuant to the Purchase Agreement for Agribotix the Company issued 1,275,000 shares at a \$2.00 share price.

On December 4 ,2018, our former board director Mr. Scott Burell exercised 60,724 options at an exercise price of \$0.06 resulting in the issuance o 55,801 shares as due to the Company’s withholding obligation relating to the exercise of these options some shares were held back.

On December 27, 2018, AgEagle Aerial Systems Inc. (the “Company”) entered into Securities Purchase Agreement (the “Agreement”) with a institutional investor (the “Purchaser”). Pursuant to the terms of the Agreement, the Board of Directors of the Company (the “Board”) designated a new series of preferred stock, the Series D Preferred Stock, which is non-convertible and provides for an 8% annual dividend and is subject to optional redemption by the Company (the “Preferred Stock”). The Company issued 2,000 shares of Preferred Stock and a warrant (the “Warrant”) to purchase 3,703,703 shares of th Company’s Common Stock, par value \$0.001 per share (the “Common Stock”), for \$2,000,000 in gross proceeds. The shares of Common Stock underling th Warrant are referred to as the “Warrant Shares”. The Company also entered into a registration rights agreement (the “Registration Rights Agreement”), granting registration rights to the Purchaser with respect to the Warrant Shares.

The Agreement provides that upon a subsequent financing or financings with net proceeds of at least \$500,000, the Company must exercise its optional redemption of the Preferred Stock (as more fully described below in Item 5.03) and apply any and all net proceeds from such financing(s) to the redemption in full of the Preferred Stock.

***Warrants Issued***

The Warrants of 3,703,703 are exercisable for a period of five years through December 26, 2023, at an exercise price equal to \$0.54 per share, and is subject to customary adjustments for stock splits dividend, rights offerings, pro rata distributions and fundamental transactions. In addition, in the event the Company undertakes a subsequent equity financing or financings at an effective price per share that is less than \$0.54, the exercise price of the Warrant shall be reduced to the lower price.

The Warrant provides that the Warrant holder shall have a “Beneficial Ownership Limitation” equal to 9.99% of the number of shares of the Commor Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Warrant holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation, as provided for in the Warrant.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 9 – Equity-Continued**

Pursuant to the terms of the Registration Rights Agreement, the Company shall file an initial registration statement registering the Warrant Shares no later than the 20<sup>th</sup> calendar day following the required filing date of the Company's Annual Report on Form 10-K for the year ending December 31, 2018 (the "Filing Date") and, with respect to any additional registration statements, the earliest practical date on which the Company is permitted by SEC Guidance to file such additional registration statement related to such registrable securities. The Company shall have the registration statement declared effective with the Securities and Exchange Commission (the "Commission") no later than the 90<sup>th</sup> calendar day following the Filing Date or, in the event of a "full review" by the Commission, the 120<sup>th</sup> calendar day following the Filing Date. There are no penalties for failure to file or be declared effective by the dates set forth above.

***Options Issued***

The Board of Directors of the Company has unanimously approved a proposal to adopt and approve the EnerJex 2017 Omnibus Equity Incentive Plan (the "Plan"). The Board of Directors recommended that this proposal be presented to the EnerJex shareholders for approval. The Plan became effective on March 26, 2018, the date of the Merger, and is a comprehensive incentive compensation plan under which the Company can grant equity-based and other incentive awards to officers, employees and directors of, and consultants and advisers to, the Company. The purpose of the Plan is to help the Company attract, motivate and retain such persons and thereby enhance shareholder value.

The Company has reserved a total of 2,000,000 shares of Common Stock for issuance as or under awards to be made under the Plan. To the extent that an award lapses, expires, is canceled, is terminated unexercised or ceases to be exercisable for any reason, or the rights of its holder terminate, any shares subject to such award shall again be available for the grant of a new award. The Plan shall continue in effect, unless sooner terminated, until the tenth (10th) anniversary of the date on which it is adopted by the Board of Directors (except as to awards outstanding on that date). The Board of Directors in its discretion may terminate the Plan at any time with respect to any shares for which awards have not theretofore been granted; provided, however, that the Plan's termination shall not materially and adversely impair the rights of a holder, without the consent of the holder, with respect to any award previously granted. The number of shares for which awards which are options or SARs may be granted to a participant under the Plan during any calendar year is limited to 500,000. For purposes of qualifying awards as "performance-based" compensation under Code Section 162(m), the maximum amount of cash compensation that may be paid to any person under the Plan in any single calendar year shall be \$500,000.

On December 31, 2018, the Company issued options to purchase 534,598 shares of Common Stock to directors and employees of the Company at the fair value exercise price ranging from \$0.51 to \$4.33 per share expiring on March 30, 2023 to December 17, 2028. The Company determined the fair-market value of the options to be \$449,491. In connection with the issuance of these options, the Company recognized \$102,698 stock compensation expense for the year ended December 31, 2018.

On October 4, 2017, AgEagle Sub issued options to purchase 927,774 shares of Common Stock to employees and directors, that were approved by the board at an exercise price of \$0.06 per share. These options were assumed by the Company in the Merger. In connection with the issuance of these options to employees and directors for the year ended December 31, 2018, the Company recorded \$7,895 of stock compensation expense and \$22,192 for the year ended December 31, 2017.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 9 – Equity-Continued**

On March 1, 2015, AgEagle Sub entered into a strategic consulting agreement with a related party and granted 207,055 stock options exercisable over five years from the grant date at an exercise price per share of \$2.60. On October 4, 2017, AgEagle Sub held a board meeting to approve the modification of the existing 207,055 options to purchase Common Stock from an exercise price of \$2.60 to \$0.06 per share. These options were assumed by the Company in the Merger. In connection with these options, the Company recognized no stock compensation expense for the year ended December 31, 2018 as they were all fully vested.

The fair value of options granted during the year ended December 31, 2018 were determined using the Black-Scholes option valuation model. The expected term of options granted is based on the simplified method in accordance with Securities and Exchange Commission Staff Accounting Bulletin 107 and represents the period of time that options granted are expected to be outstanding. The Company makes assumptions with respect to expected stock price volatility based on the average historical volatility of peers with similar attributes. In addition, the Company determines the risk-free rate by selecting the U.S. Treasury with maturities similar to the expected terms of grants, quoted on an investment basis in effect at the time of grant for that business day.

The significant weighted average assumptions relating to the valuation of the Company's stock options granted during the year ended December 31, 2018 were as follows:

	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Dividend Yield	0%	0%	0%	0%	0%
Expected life	3.04 to 6.25 Years	3.5 Years	3.5 Years	3.5 Years	3.5-6.5 Years
Expected volatility	74.80 to 80.41%	77.03%	78.66%	76.04%	80.5%
Risk-free interest rate	1.89 to 2.33%	2.81%	2.68%	3.01%	2.59%

For options granted in 2018, the fair value of the Company's stock was obtained per the close of market as of December 31, 2018. The future expected stock-based compensation expense expected to be recognized in future years is \$288,401, through December 31, 2020.

Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at December 31, 2018 (for outstanding options), less the applicable exercise price.

A summary of the options activity for the year ended December 31, 2018, are as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2018	1,134,830	\$ 0.06	8.5 Years	\$ —
Granted	534,598	1.35	5.94 Years	\$ —
Exercised/Cancelled	(175,270)	0.60	- Years	\$ —
Outstanding at December 31, 2018	1,494,158	\$ 0.46	6.93 Years	\$ —
Exercisable at December 31, 2018	782,147	\$ 0.22	7.07 Years	\$ —

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 9 – Equity-Continued**

For options granted or modified in 2017, the fair value of the Company’s stock used in estimating the fair value of the stock options was estimated using a discounted cash flow method and recent sales of its Common Stock.

Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at December 31, 2017 (for outstanding options), less the applicable exercise price.

A summary of the options activity for the year ended December 31, 2017 are as follows:

	For the Year Ended December 31, 2017			
	Shares*	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	207,055	\$ 0.06	4.0 years	\$ —
Granted	927,775	\$ 0.06	10.0 years	\$ —
Outstanding at end of year	1,134,830	\$ 0.06	8.5 years	\$ —
Exercisable at end of year	521,873	\$ 0.06	7.9 years	\$ —

\*- Amounts have been converted to reflect a stock split and conversion rate of 1.656 that occurred upon the EnerJex merger.

As of the Merger Date, all outstanding AgEagle shares of Common Stock and newly issued in connection with conversion of debt were subsequently converted into EnerJex shares and then split at a rate of 25 to 1 resulting in a conversion rate of 1.6564 per AgEagle share. The financial statements give a retrospective effect to the reverse stock split.

**Note 10 – Warrants to Purchase Common Stock**

As of December 31, 2018, the Company had outstanding, in connection with the issuance of debentures in the prior year, warrants to purchase 828,221 shares of the Company’s Common Stock at an exercise price of \$1.51. All warrants outstanding as of December 31, 2018 are scheduled to expire between February 2, 2024 and October 31, 2024.

On December 27, 2018, the Company issued 2,000 shares of Preferred Stock and a warrant (the “Warrant”) to purchase 3,703,703 shares of the Company’s Common Stock, par value \$0.001 per share (the “Common Stock”), for \$2,000,000 in gross proceeds. The shares of Common Stock underlying the Warrant are referred to as the “Warrant Shares”. The Company also entered into a registration rights agreement (the “Registration Rights Agreement”) granting registration rights to the Purchaser with respect to the Warrant Shares.

The Warrant is exercisable for a period of five years through December 26, 2023, at an exercise price equal to \$0.54 per share, and is subject to customary adjustments for stock splits dividend, rights offerings, pro rata distributions and fundamental transactions. In addition, in the event the Company undertakes a subsequent equity financing or financings at an effective price per share that is less than \$0.54, the exercise price of the Warrant shall be reduced to the lower price.

The Warrant provides that the Warrant holder shall have a “Beneficial Ownership Limitation” equal to 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Warrant holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation, as provided for in the Warrant.



**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 10 – Warrants to Purchase Common Stock-Continued**

A summary of activity related to warrants for the year ended December 31, 2018 follows:

	Shares	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2017	828,221	\$ 1.51	5.34
Granted	3,703,703	\$ 0.54	4.99
Outstanding at December 31, 2018	<u>4,531,924</u>	<u>\$ 0.72</u>	<u>5.05</u>
Exercisable at December 31, 2018	<u>4,531,924</u>	<u>\$ 0.72</u>	<u>5.05</u>

\*- Amounts have been converted to reflect a stock split and conversion rate of 1.656 that occurred upon the EnerJex merger.

A summary of activity related to warrants for the year ended December 31, 2017 follows:

	Shares*	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2016	—	\$ —	—
Granted	828,221	\$ 1.51	6.60
Outstanding at December 31, 2017	<u>828,221</u>	<u>\$ 1.51</u>	<u>6.40</u>
Exercisable at December 31, 2017	<u>828,221</u>	<u>\$ 1.51</u>	<u>6.40</u>

\*- Amounts have been converted to reflect a stock split and conversion rate of 1.656 that occurred upon the EnerJex merger.

**Note 11 – Commitments and Contingencies**

***Operating Leases***

The Company leases office space in Neodesha, Kansas for \$500 a month. On August 22, 2018, the Company executed an amendment to the lease to renew the term of the lease for an additional one year terminating on September 30, 2019 with no option to renew unless approved by the city commission of Neodesha.

As a result of the Agrobotix acquisition, the Company assumed a lease for offices in Boulder, Colorado for \$2,000 a month. The lease ends on May 31 2019 and has an option to terminate at any time with a 30-day prior notice period.

Rent expense was \$13,600 and \$3,900 for the years ended December 31, 2018 and 2017, respectively.

***Merger Agreement***

On March 26, 2018, EnerJex Resources, Inc. (“EnerJex”), a Nevada company, consummated the transactions contemplated by that certain Agreement and Plan of Merger, dated October 19, 2017, pursuant to which AgEagle Merger Sub, Inc., a Nevada corporation and a wholly-owned subsidiary of EnerJex, merged with and into AgEagle Aerial Systems Inc., a privately held company organized under the laws of the state of Nevada (“AgEagle Sub”), with AgEagle Sub surviving as a wholly-owned subsidiary of EnerJex (the “Merger”). In connection with the Merger, EnerJex changed its name to AgEagle Aerial Systems Inc. (the “Company”) and AgEagle Sub changed its name to “Eagle Aerial Systems, Inc.” The Company’s Common Stock will continue to trade on the NYSE American under its new symbol “UAVS” commencing on March 27, 2018. As a result of the Merger, through AgEagle Sub, the Company is now engaged in the business of designing, developing, producing, distributing and supporting technologically-advanced small unmanned aerial vehicles (UAVs or drones) that it supplies to the precision agriculture industry.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 11 – Commitments and Contingencies-Continued**

Each share of Common Stock issued and outstanding and underlying options and warrants of AgEagle Sub outstanding immediately prior to the Merger was exchanged for 1.66 shares of Company Common Stock (the “Exchange Ratio”). As a result, at the effective time of the Merger (the “Effective Time”), 5,439,526 shares of AgEagle Sub’s capital stock, representing all currently outstanding shares of Common Stock and all other debt or equity securities convertible into Common Stock (except options and warrants as described below) were automatically converted into 7,944,941 shares of Company Common Stock. In addition, at the Effective Time, 685,100 outstanding options and 500,000 warrants to purchase shares of AgEagle Sub Common Stock were assumed by EnerJex and converted into 1,134,830 options and 828,221 warrants to purchase shares of Common Stock of the Company.

All holders of EnerJex’s 10% Series A Cumulative Redeemable Perpetual Preferred Stock (the “Series A Preferred Stock”) had their share automatically converted into 896,640 shares of the Company’s Common Stock. EnerJex’s Series B Convertible Preferred Stock (the “Series B Preferred Stock”) remains outstanding, and 1,624 shares of Series C Convertible Preferred Stock (the “Series C Preferred Stock”) are now convertible into 1,060,432 shares of Company Common Stock. Furthermore, an additional 5,051 shares of Series C Preferred Stock, convertible into 3,298,348 shares of Company Common Stock, were issued to the current holder of Series C Preferred Stock in connection with a \$4 million financing of Series C Preferred Stock (the “Financing”) and the conversion and retirement of \$425,000 in prior EnerJex promissory notes due and owing to such holder.

As of the Effective Time, the former shareholders of AgEagle Sub owned approximately 67% of the Company’s Common Stock (inclusive of the AgEagle Sub assumed stock options and warrants), the former EnerJex holders of Common Stock, the Series A Preferred Stock, the Series B Preferred Stock and the Series C Preferred Stock, which were outstanding immediately prior to the Financing, collectively own 12.7% of the Company’s Common Stock on a fully-diluted basis.

In connection with the Merger, AgEagle waived the requirement for EnerJex to have paid and satisfied in full all outstanding indebtedness of EnerJex such that there would be no continuing liabilities of EnerJex subsequent to the closing of the Merger (“Liability Condition”). In consideration for AgEagle waiving the Liability Condition, the 1,215,278 shares of Common Stock to be held in escrow (valued at \$350,000) owned by certain former principal stockholders, officers and directors of EnerJex to secure losses, if any, that may be suffered by the AgEagle indemnified parties pursuant to the indemnification obligations under the Merger Agreement, were never issued and such former principal stockholders, officers and directors are not entitled to receive such shares. However, such former principal stockholders, officers and directors received, in the aggregate, deferred salaries and fees valued at approximately \$297,500. In lieu of payment of the deferred salaries and fees in cash, such amounts have been converted into an aggregate of 1,032,986 shares of Company Common Stock.

Prior to the Merger, EnerJex operated as an oil exploration and production company engaged in the acquisition, development, exploration and production of oil in Eastern Kansas. In connection with the Merger, EnerJex disposed of its principal assets, consisting primarily of its Kansas oil and gas properties.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 11 – Commitments and Contingencies-Continued**

***Employment and Board Agreements***

On July 10, 2018, the Company appointed Corbett Kull as an independent director to serve on the Company's Board of Directors (the "Board"). Mr. Kull's appointment fills a vacancy on the Board.

As compensation for his services as an independent director, Mr. Kull received an initial grant of 41,250 stock options at an exercise price of \$1.77 per share (the "Initial Grant"). The Initial Grant is exercisable for a period of five years and vests in equal quarterly installments over a one-year period from the date of grant. In addition, Mr. Kull will receive a quarterly grant of 16,500 with an exercise price at the current market price of the Company's Common Stock at the time of issuance (the "Quarterly Options"). The Quarterly Options are exercisable for a period of five years from the date of grant and vest in equal quarterly installments over a period of two years from the date of grant.

Effective November 21, 2018, Mr. Scott Burell resigned from the Board of Directors of the Company and his positions as a member of the Compensation and Nominating and Corporate Governance Committee and Chairman of the Audit Committee. As a result of his resignation, Mr. Burell did not receive any options for the last quarter of 2018 as options are awarded upon completion of the term. To replace Mr. Burell, Ms. Louisa Ingargiola was appointed on November 27, 2018 as a director of the Board of Directors of the Company, a member of the Compensation and Nominating and Corporate Governance Committee and Chairman of the Audit Committee.

Pursuant to his offer letter Mr. Louisa Ingargiola is entitled to receive for his service on the board: (1) an initial grant of five-year options to purchase 41,250 shares of Common Stock upon appointment, which was at an exercise price of \$0.77 (equal to the market price of our Common Stock on the date of grant) that will vest in equal installments every calendar quarter over a one year period; and (2) five-year options to purchase 16,500 shares of Common Stock per calendar quarter of service at an exercise price per share equal to the market price of our Common Stock at the time of issuance that will vest in equal installments every calendar quarter for the two year period after date the grant.

Effective as of July 18, 2018, Mr. Barrett Mooney joined the Company as Chief Executive Officer. Mr. Bret Chilcott, founder of the Company, stepped down as Chief Executive Officer, but will remain with the Company as President and Chairman of the Board.

Pursuant to an employment offer letter dated July 9, 2018, Mr. Mooney will receive as compensation for his services as Chief Executive Officer a base salary of \$220,000 per year, which shall be subject to annual performance review by the Compensation Committee of the Board and may be revised by the Board, in its sole discretion. Mr. Mooney received an initial grant of 75,000 shares of restricted Common Stock of the Company which is fully vested. Mr. Mooney was also eligible to receive an award of 75,000 shares of restricted Common Stock of the Company which fully vested as of January 1, 2019 if, and only if, the stock price of the Company reached \$3.55 per share and the closing price per share was at or above such price at the end of the day on January 1, 2019.

In addition, Mr. Mooney is eligible to receive an award of 20,000 non-qualified stock options under the Company's 2017 Omnibus Equity Incentive Plan (the "Equity Plan") upon securing one sustainability pilot program on or before October 31, 2018, and an additional award of 30,000 non-qualified stock options under the Equity Plan upon securing a second sustainability pilot program on or before January 31, 2019. Both awards shall provide for immediate vesting and exercisability at an exercise price equal to the fair market value of the Company's shares of Common Stock underlying the options as of the date of grant. Mr. Mooney will also be eligible to receive an award of up to 55,000 non-qualified stock options under the Equity Plan based upon the results of his annual performance review in the first quarter of 2019.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 11 – Commitments and Contingencies-Continued**

Effective December 18, 2018, an amendment was signed for the original employment offer letter dated July 9, 2018 hereby providing an amendment to provide that in lieu of the issuance of 75,000 shares of restricted Common Stock of the Company (the “Shares”), the Company shall award to Executive 125,000 Nonqualified Stock Options (the “Stock Options”) under the Company’s 2017 Omnibus Equity Incentive Plan (the “Equity Plan”). The Stock Options shall be subject to the terms of the Equity Plan and standard option award agreement which shall have a term of 10 years and provide for vesting over a one-year period and exercisability at an exercise price equal to the fair market value of the Company’s Common Stock as of the date of the grant. The award of 75,000 shares were returned to the company and immediately cancelled.

**Note 12 — Related Party Transactions**

The following reflects the related party transactions during the years ended December 31, 2018 and 2017.

***Consulting Agreement***

On March 1, 2015, the Company entered into a strategic consulting agreement to assist it with raising capital and strategic positioning in an effort to increase its valuation. Under the terms of the agreement, the Company agreed to issue 125,000 shares of the Company’s Common Stock on May 1, 2015, an additional 125,000 shares of Common Stock on January 15, 2016 and 125,000 stock options exercisable for five years from the issuance date. As of December 31, 2015, no shares were issued to the consultant. The Company recognized \$1,250,000 of consulting expense during 2015 and 2016 related to the value of the shares earned, which was based on the estimated fair value of the stock as of December 31, 2015, based on the terms of a transaction which ultimately closed on February 22, 2016 by issuing 500,000 shares of its Common Stock, as there was no disincentive for non-performance. During 2016, the Company recognized \$555,556 of consulting expense related to the issuance of the Common Stock and \$138,802 related to the stock options. No additional expense was recorded for the year-ended December 31, 2017 for the common shares granted in connection with the strategic consulting agreement executed in March 2015. During the 2017, the Company recognized \$6,397 of additional consulting expense related to the issuance of the Common Stock for the stock options as a result of the modification of the exercise price of the options from \$2.60 per share to \$0.10 per share.

***Promissory Notes***

The Company issued promissory notes for an aggregate amount of \$76,050 (the “Related Party Notes A”) that accrued interest at an annual rate of 8% and were set to mature as of the date of the Merger. For the years ended December 31, 2018 and 2017, the Company recorded \$1,386 and \$5,420 of interest expense, respectively. As of the Merger Date, the principal of \$76,050 and the accrued interest of \$7,239 were converted at \$1.25 per share into 110,371 shares of the Company’s Common Stock.

The Company issued promissory notes for an aggregate amount of \$55,000 (the “Related Party Notes B”) that accrued interest at an annual rate of 8% and were set to mature as of the date of the Merger. It was determined that there were no aggregate beneficial conversion features. For the years ended December 31, 2018 and 2017 the Company recorded \$1,002 and \$2,684 of interest expense, respectively. As of the Merger Date, the principal of \$55,000 and the accrued interest of \$3,686 were converted at \$1.25 per share into 77,769 shares of the Company’s Common Stock.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 12 — Related Party Transactions-Continued**

***Transactions with Officers***

The Company's Chief Financial Officer, Nicole Fernandez-McGovern, is one of the principals of Premier Financial Filings, a full-service financial printer. Premier Financial Filings provided contracted financial services to the Company and their related expenses have been included within general and administrative expenses. For the year ended December 31, 2018, Premier Financial Filings provided services to the Company resulting in fees of \$13,302, and an accounts payable of \$1,915 as of December 31, 2018.

**Note 13 – Income Taxes**

Prior to April 15, 2015, AgEagle Aerial Systems Inc. was treated as a disregarded entity for income tax purposes. Income taxes, if any, were the responsibility of the sole member. In April 2015, the Company was converted to a corporation.

The Company accounts for income taxes in accordance with FASB ASC Topic 740, Accounting for Income Taxes which requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting and any available operating loss or tax credit carryforwards. At December 31, 2018 and 2017, the total of all deferred tax assets was \$1,400,620 and \$899,073 respectively. The amount of and ultimate realization of the benefits from the deferred tax assets for income tax purposes is dependent, in part, upon the tax laws in effect, the Company's future earnings, and other future events, the effects of which cannot be determined. Because of the uncertainty surrounding the realization of the deferred tax assets the Company has established a valuation allowance of \$1,400,620 and \$899,073 for the years ended December 31, 2018 and 2017, respectively. The change in the valuation allowance for the years ended December 31, 2018 and 2017 was \$501,548 and \$192,125 respectively.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law. The Act decreases the U.S. corporate federal income tax rate from a maximum of 35% to a flat 21% effective January 1, 2018. The impact of the re-measurement on the Corporation's net deferred tax asset, as of December 31, 2017, was an approximately \$99,539 decrease in deferred tax assets, with a corresponding decrease in the Company's valuation allowance, and no impact on income tax expense. The Act also includes a number of other provisions including, among others, the elimination of net operating loss carrybacks and limitations on the use of future losses, the repeal of the Alternative Minimum Tax regime and the repeal of the domestic production activities deduction. These provisions are not expected to have a material effect on the Corporation.

Given the significant complexity of the Act and anticipated additional implementation guidance from the Internal Revenue Service, further implications of the Act may be identified in future periods.

At December 31, 2018, the Company had a net operating loss carry forward of approximately \$2 million expiring in 2035-2037. Approximately a \$100,000 of net operating loss carry forward with no expiration. Management has determined that a 100% valuation allowance be established against net operating losses where it is more likely than not that such losses will expire or will not be available before they are utilized.

The Company acquired EnerJex, Inc. in 2018 and changed the name from EnerJex, Inc. to AgEagle Aerial Systems Inc. The federal net operating losses carried forward by EnerJex, Inc. prior to the acquisition are not available to the Company. This limitation is due to the IRC 382 limitation requirement that the business that generated the net operating losses continue for a minimum of two years after the acquisition.

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 13 – Income Taxes-Continued**

The components of income tax benefit for the years ended December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Deferred tax benefit:		
Federal	\$ (435,942)	\$ (166,991)
State	(65,606)	(25,134)
Increase in valuation allowance	<u>\$ (501,548)</u>	<u>\$ (192,125)</u>

A reconciliation of income tax expense at the federal statutory rate to income tax expense at the Company's effective rate for the years ended December 31 is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
Computed tax at the expected statutory rate	\$ (436,733)	21.00%	\$ (271,053)	34.00%
State and local income taxes, net of federal	(65,606)	3.16	(20,998)	2.64
Other non-deductible expenses	743	(0.04)	387	(0.05)
Change due to impact of tax rates	—	(0.00)	99,502	(12.49)
Provision to return true up	48	(0.00)	37	(0.00)
Change in valuation allowance	<u>501,548</u>	<u>(24.12)</u>	<u>192,125</u>	<u>(24.10)</u>
Income tax benefit	<u>\$ —</u>	<u>0.00%</u>	<u>\$ —</u>	<u>0.00%</u>

The temporary differences, tax credits and carryforwards that gave rise to the following deferred tax assets at December 31 is as follows:

	<u>2018</u>	<u>2017</u>
Deferred tax assets:		
Deferred revenue	\$ 1,182	\$ —
Property and equipment	6,221	5,209
Interest	5,826	38,629
Goodwill amortization	(17,876)	—
Intangibles tax amortization	7,488	—
Stock options for consulting services employees and directors	32,083	5,363
Stock options for consulting services-related party	51,878	51,878
Common Stock for consulting services-related party	302,000	302,000
Warrant expense	2,194	2,194
Net operating loss carryforward	1,021,276	493,751
Total Deferred tax assets	1,400,620	899,024
Valuation allowance	(1,400,620)	(899,024)
Net Deferred tax assets	<u>\$ —</u>	<u>\$ —</u>

**AGEAGLE AERIAL SYSTEMS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 14- Subsequent Events**

***Preferred C Share Conversions***

During the month of January 2019, Alpha Capital Anstalt converted 270 shares of Series C Preferred Stock into 433,369 shares of Common Stock at a conversion price of \$0.54.

During the month of February 2019, Alpha Capital Anstalt converted 216 shares of Series C Preferred Stock into 400,000 shares of Common Stock at a conversion price of \$0.54.

During the month of March 2019, Alpha Capital Anstalt converted 540 shares of Series C Preferred Stock into 1,000,000 shares of Common Stock at a conversion price of \$0.54.

***New Employment Agreement with Chief Financial Officer***

Effective January 1, 2019, Ms. Fernandez-McGovern signed a new employment agreement with the Company, whereby her annual base salary increased to \$180,000 and a ten-year grant of 50,000 stock options to purchase shares of Common Stock at an exercise price of \$0.54 were granted. In addition, Ms. Fernandez-McGovern will continue to receive quarterly awards of 12,000 stock options to purchase Common Stock at an exercise price equal to the market price of our Common Stock at the time of issue during the term of her employment. All of the awards will vest equally over two years.



AgEagle Aerial Systems, Inc.  
117 S 4<sup>th</sup> St  
Neodesha, KS 66757

January 1, 2019

Re: Offer of Employment

Dear Nicole,

AgEagle Aerial Systems, Inc., a Nevada corporation (the "Company") is pleased to offer you a position as Chief Financial Officer with our Company pursuant to the following terms and conditions of employment. You shall commence employment as of January 1, 2019 (your "Commencement Date"). You shall be based out of your home office and will report to the Chief Executive Officer of AgEagle Aerial Systems, Inc. Executive shall perform the duties of Chief Financial Officer as determined by Chief Executive Officer and/or the Board of Directors or any additional or different duties or jobs as the Company deems appropriate.

As a condition of your employment, and in consideration of your employment and the payments and benefits provided herein, you are required to sign and return to the Company the enclosed Employee Confidentiality and Proprietary Rights Agreement (the "Confidentiality Agreement").

During your employment with the Company, you are required to devote your full business time and best efforts to your duties and you may not, except with prior written permission from the Company, be personally employed or engaged in any capacity with any business other than the. You acknowledge and agree that, as an employee of the Company, you will comply with all laws and regulations, as well as Company rules, policies and procedures as may be in effect from time to time.

Your base salary shall be \$180,000 per year, paid in accordance with the Company's standard payroll procedures. Your performance shall be reviewed annually by the Compensation Committee of the Board and your base salary may be revised by the Board, in its sole discretion. Additionally, the Company shall withhold from any payments made to you (including, without limitation, those specified in this offer letter) all federal, state, local or other taxes and withholdings as shall be required pursuant to any law or governmental regulation or ruling.

During your employment, you will receive vacation, sick and personal days in accordance with then current Company policy. You will be eligible to participate in the Company's employee benefit plans and programs available to Company employees. Any benefits to which you are entitled shall be determined in accordance with such plans and programs and Company policy. The Company reserves the right to suspend, amend or terminate any employee benefit plan or program at any time.

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The Executive will be provided with an initial grant of options to purchase 50,000 shares of common stock, vesting quarterly over two (2) years. Additionally, the current options grant of 12,500 options a quarter (50,000 options a year) will remain effective going forward. The Executive may be eligible for additional equity incentive grants, subject to Executive's continued employment and satisfactory job performance, which may be made from time to time, by the Board, on the same terms as other executive employees of the Company. Terms and conditions of all the equity incentive grants will be in accordance with the terms of the Company's Equity Incentive Plan in effect at the time of each such grant.

All option awards provided for hereunder shall be subject to your continued employment with the Company through the applicable vesting date or event, as well as your execution of and continued compliance with the Confidentiality Agreement and applicable option award agreements under the terms of the Equity Plan.

This offer is not a guarantee of employment for a specific period of time. Your employment with the Company, should you accept this offer, will be "at-will," which means that you or the Company may terminate your employment for any or no reason, at any time. In the event you elect to resign your employment with the Company, you agree to provide the Company with 30 days' written notice of your termination of employment. During this notice period, the Company may ask you to perform specific duties or no duties at all and may ask you not to attend work during all or any part of your notice period. During your notice period, you will continue to receive the salary and benefits that you had been receiving immediately prior to such period, subject any changes generally made for other employees of the Company. Further, upon termination of your employment for any reason, you agree to cooperate with the Company with respect those business-related matters of which you have knowledge and to assist with the orderly return of Company property and transfer of your work to others, as directed by the Company.

You should be aware that the Company employees are not permitted to make any unauthorized use of documents or other information in their employment with the Company, which could properly be considered or construed to be confidential or proprietary information of another individual or company. Likewise, the Company employees may not bring with them onto the premises of the Company any confidential documents or other form of tangible information relating to their prior employer's business. Further, you represent to the Company that you are not subject to any contract or other restriction or obligation that is inconsistent with your accepting this offer of employment and performing your duties.

This offer of employment and continued employment is conditioned on your establishing your identity and authorization to work as required by the Immigration Reform and Control Act of 1986 (IRCA). Enclosed is a copy of the Employment Verification Form (I-9), with instructions required by IRCA. Please review this document and bring the appropriate original documentation on your first day of work.

This offer is also contingent upon your satisfactory completion (at the Company's sole discretion) of reference, drug and background checks. This is a standard procedure required for all new hires. Please see the attached consent and waiver form for this procedure.

This offer letter, as well as all matters concerning, arising out of or relating to your employment shall be governed by and construed under the laws of the State of Florida, without regard to its conflict-of-law principles. Further, any dispute concerning or arising out of this offer letter or otherwise out of your employment with the Company shall be heard exclusively in an appropriate state or federal court in Florida and you hereby consent, and waive any objection, to the jurisdiction of any such court. You and the Company each hereby irrevocably waive the right to trial by jury in any action or proceeding based upon, arising out of, or in any way relating to this offer letter and all matters concerning your employment with the Company (or the termination thereof).

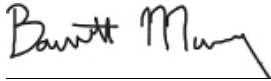
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By signing this letter, you acknowledge that (1) you have not relied upon any representations other than those set forth in this offer letter; (2) the terms of this offer constitute the entire understanding and contain a complete statement of all the agreements between you and the Company; (3) this offer letter supersedes all prior and contemporaneous verbal or written agreements, understandings or communications between you and the Company; and (4) any subsequent agreement or representation between you and the Company shall not be binding on the Company unless contained in writing signed by you and an authorized representative of the Company.

Nicole, we are very excited about the prospect of you joining the Company full time as our CFO, and expect that your employment here will be a mutually rewarding experience.

If you have any questions or issues that may arise after reviewing this offer letter, please don't hesitate to contact me. We look forward to welcoming you to AgEagle Aerial Systems, Inc.

Sincerely,



January 1, 2019

Barrett Mooney

**“Agreed and Acknowledged”** (please sign, date and retain a copy for your records)



Date: 1-01-19

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**EMPLOYEE CONFIDENTIALITY AND PROPRIETARY RIGHTS AGREEMENT**

This Confidentiality and Proprietary Rights Agreement ("**Agreement**") is entered into by and between AGEAGLE AERIAL SYSTEMS, INC Nevada corporation, on behalf of itself, its subsidiaries and other corporate affiliates (collectively referred to herein as the "**Company**"), and Nicole Fernandez-McGovern ("**Employee**") (the Company and Employee are collectively referred to herein as the "**Parties**") as of January, 1, 2019 (the "**Effective Date**").

In consideration of Employee's employment with the Company (hereafter, "employment"), which Employee acknowledges to be good and valuable consideration for Employee's obligations hereunder, the Company and Employee hereby agree as follows:

**1 . Confidentiality and Disclosure of Information.** In the course of Employee's employment hereunder, Employee will receive, contribute to the production of, become privy to confidential, secret and proprietary documents, materials, data and other information, in tangible and intangible form, of and relating to the Company and its businesses and existing and prospective customers, suppliers, investors and other associated third parties to the Company's "**Confidential Information**" (as hereinafter defined). Employee further understands and acknowledges that this Confidential Information and the Company's ability to reserve it for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure of the Confidential Information by Employee will cause irreparable harm to the Company, for which remedies at law will not be adequate.

**1.1** Employee agrees that during and in perpetuity after Employee's employment by Company, Employee shall (i) hold in confidence and treat all Confidential Information as strictly confidential; (ii) not directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever, except as required in the good faith performance of Employee's duties to the Company or with the prior consent of an authorized officer acting on behalf of the Company in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and (iii) not to access or use any Confidential Information and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Company, except as required in the good faith performance of Employee's duties to the Company or with the prior consent of an authorized officer acting on behalf of the Company in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent). Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation or order. To the extent permitted by applicable law, Employee shall promptly provide written notice of any such order to an authorized officer of the Company after receiving such order, but in any event sufficiently in advance of making any disclosure to permit the Company to contest the order or seek confidentiality protections, as determined in the Company's sole discretion. Employee agrees that during Employee's employment by Company and in perpetuity thereafter, Employee shall hold in confidence and shall not directly or indirectly reveal report, publish, copy, duplicate, disclose, transfer or otherwise misappropriate any Confidential Information to any person or entity, or utilize such Confidential Information for any purpose, except within the course of Employee's employment with Company.

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**1.2** All notes, data, reference materials, sketches, drawings, memoranda, documentation and records in any form or media in any way incorporating or reflecting any Confidential Information of Company shall belong exclusively to Company. Upon termination of his employment for any reason or at any time Company may request prior thereto, Employee shall immediately surrender and turn over to Company any of Company's property whatsoever and all Confidential Information of Company, whether the same be in writing, print, copy, audio or video tape, computer program or disc, picture, or any other medium whatsoever, and whether appearing in original documents, summaries, excerpts, abstracts or other formats, and shall provide Company with all information necessary to access and use said Confidential Information. Employee shall have no right to retain any originals or copies of the foregoing for any reason whatsoever after termination of his employment hereunder without the express prior written consent of Company and, upon termination, Employee shall certify in writing that he no longer possesses and has not distributed or retained any Confidential Information of Company or any of Company's property whatsoever.

**1.3** Notwithstanding the terms of this Agreement, the obligation of Employee to protect the confidentiality of any Confidential Information shall terminate as to any information or materials which: (i) are, or become, public knowledge through no act or failure to act of Employee in violation of Employee's obligations to the Company; (ii) are publicly disclosed by the proprietor thereof; (iii) are lawfully obtained without obligations of confidentiality by Employee from a third party after reasonable inquiry regarding the authority of such third party to possess and divulge the same; (iv) are independently developed by Employee from sources or through persons that Employee can demonstrate had no access to Confidential Information; or (v) are lawfully known by Employee at the time of disclosure other than by reason of discussions with or disclosures by Company.

**1.4** As used in this Agreement, "**Confidential Information**" means information or material, whether oral or written, that is proprietary to Company or designated (either expressly or by virtue of the manner in which such information or material is traditionally treated in business settings) as confidential information by Company and not generally known by non-Company personnel, which Employee may develop or which Employee may receive obtain knowledge of or become privy to through or as a result of Employee's relationship with Company (including information conceived, originated, discovered or developed in whole or in part by Employee). "Confidential Information" includes, but is not limited to, the following types of information and other information of a similar nature (whether or not reduced to writing): trade secrets, discoveries, ideas, concepts, software in various stages of development, designs, drawings, specifications, techniques, models, data, source code, object code, documentation, diagrams, flow charts, research, development, processes, procedures, "knowhow", marketing techniques and materials, marketing and development plans, names of employees and information related to them, customer names, contacts, and other information related to customers, price lists, pricing policies, and financial data, information and projections. "Confidential Information" also includes any information described above which Company obtains from another party and which Company treats as proprietary or designates as "Confidential Information", whether or not owned or developed by Company. Information that is publicly known and that is generally employed by the trade or generic information or knowledge which Employee would have learned in the course of similar work elsewhere in the trade is not intended to and shall be deemed not to be a part of the "Confidential Information".

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**1.5** Employee understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

**1.6** Employee acknowledges that Employee has been notified in accordance with the federal Uniform Trade Secrets Act (18 U.S. Code § 1839) that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

**2 .** **Agreement Not to Solicit Customers.** Employee agrees that during his employment by Company and for a period of one (1) year following termination of such employment for any reason whatsoever, Employee shall not, either directly or indirectly, on his own behalf or in the service of or on behalf of others actively solicit, or attempt to solicit, initiate contact with, or call upon any clients or actively sought prospective clients of Company with whom Employee had material contact during his employment with Company or about which Employee obtained Confidential Information, for the purpose of soliciting selling, diverting to or otherwise providing products or services that are the same or similar to, or otherwise compete with, those of the Company, including, without limitation, engaging in the business of design, manufacture or sale of unmanned aerial aircraft technologies, unless agreed to in writing by both parties.

**2.1** **Material Contact.** For purposes of this Agreement, "material contact" exists between Employee and each client or actively sought prospective client of Company with whom Employee personally interacts on behalf of Company, whether such interaction is conducted in person, in writing, by telephone or by other form of communication.

**3 .** **Agreement Not to Solicit Employees and Independent Contractors.** Employee agrees that during his employment by Company and for a period of one (1) year following termination of such employment for any reason, he will not, either directly or indirectly, on his own behalf or in the service of, or on behalf of others, actively encourage or induce the voluntary termination of, or recruit or hire, or attempt to recruit or hire, any person(s) then employed by or associated with Company as an employee or, on an exclusive basis, an independent contractor or consultant, whether or not such recruit or hire is a full-time, part-time or temporary employee, independent contractor or consultant of said entities, and whether or not such employment or other engagement is for a determined period or is at-will, for the purpose of employment, consultancy, or serving as an independent contractor for, directly or indirectly, any business entity which engages in the business of design, manufacture and sale of unmanned aerial aircraft technologies. Except for contractors or employees previously engaged with RCM Financial.

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4. **Agreement Not to Compete.** Employee agrees that during his employment by Company and for a period of one (1) year following termination of such employment for any reason, he will not, either directly or indirectly, on his own behalf or in the service of, or on behalf of others, actually or attempt to, engage in the business of providing products or services that are the same or similar to, or otherwise compete with, those of the Company, including, without limitation, engaging in the business of design, manufacture or sale of unmanned aerial aircraft technologies, within the Territory (as defined below). As used herein, "Territory" means any state in the United States or any foreign country in which the Company is doing business or in which it is contemplating to do business pursuant to a then current business plan.

5. **Proprietary Rights.**

5.1 **Work Product.** Employee agrees that all inventions, ideas, writings, works of authorship, technology, discoveries, copyrightable or patentable subject matter, and other work product of any nature whatsoever that, in whole or in part, that are made, conceived, created, prepared, produced, authored, edited or amended (i) through the use of any of the Company's Confidential Information or any of the Company's equipment or facilities or (ii) by Employee, individually or jointly with others, during the period of Employee's employment by the Company and relating in any way to the business or contemplated business, research or development of the Company (regardless of when or where the Work Product is prepared or whose equipment or other resources is used in preparing the same) and all printed, physical and electronic copies, all improvements, rights and claims related to the foregoing, and other tangible embodiments thereof (collectively, "**Work Product**"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), mask works, patents and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions, continuations-in-part, reissues, extensions and renewals thereof (collectively, "**Intellectual Property Rights**"), shall belong exclusively to Company and shall be considered part of Confidential Information (as the case may be) for purposes of this Agreement.

For purposes of this Agreement, Work Product includes, but is not limited to, Company information, including plans, publications, research strategies, techniques, agreements, documents, negotiations, know-how, computer programs, computer applications, software design, web design, work in process, databases, manuals, developments, reports, graphics, drawings, sketches, market studies, formulae, notes, communications, algorithms, product plans, product designs, styles, models, inventions, unpublished patent applications, original works of authorship, discoveries, experimental processes, specifications, customer information, customer lists, manufacturing information, marketing and advertising information, and sales information.

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**5.2** Company, its designees, and its assigns shall have the right to use and/or to apply for patents, copyrights or other statutory or common law protections for such Work Product in any and all countries. Employee shall provide reasonable assistance to Company (at Company's expense) to obtain and from time to time enforce patents, copyrights, and other statutory or common law protections for such Work Product in any and all countries. To that end, Employee shall execute, during and after his employment with Company, all documents reasonably related to the application, procurement, and enforcement of patents, copyrights, and other statutory or common law protections, as the Company or its counsel may request, together with any assignments thereof to Company or its designee.

**5.3 Work Made for Hire; Assignment** Employee acknowledges that, by reason of being engaged by the Company at the relevant times, to the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is "work made for hire" as defined in the Copyright Act of 1976 (17 U.S.C. § 101), and such copyrights are therefore owned by the Company. To the extent that the foregoing does not apply, Employee hereby irrevocably assigns to the Company, for no additional consideration, Employee's entire right, title and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit the Company's rights, title or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that the Company would have had in the absence of this Agreement.

**5.4 Further Assurances; Power of Attorney.** During and after Employee's employment by the Company, Employee agrees to reasonably cooperate with the Company to (i) apply for, obtain, perfect and transfer to the Company the Work Product and Intellectual Property Rights in the Work Product in any jurisdiction in the world; and (ii) maintain, protect and enforce the same, including, without limitation, executing and delivering to the Company any and all applications, oaths, declarations, affidavits, waivers, assignments and other documents and instruments as shall be requested by the Company. Employee hereby irrevocably grants the Company power of attorney to execute and deliver any such documents on Employee's behalf in Employee's name and to do all other lawfully permitted acts to transfer the Work Product to the Company and further the transfer, issuance, prosecution and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, if Employee does not promptly cooperate with the Company's request (without limiting the rights the Company shall have in such circumstances by operation of law). The power of attorney is coupled with an interest and shall not be affected by Employee's subsequent incapacity.

**5.5 Moral Rights.** To the extent any copyrights are assigned under this Agreement, Employee hereby irrevocably waives, to the extent permitted by applicable law, any and all claims Employee may now or hereafter have in any jurisdiction to all rights of paternity, integrity, disclosure and withdrawal and any other rights that may be known as "moral rights" with respect to all Work Product and all Intellectual Property Rights therein.

**5.6 No License.** Employee understands that this Agreement does not, and shall not be construed to, grant Employee any license or right of any nature with respect to any Work Product or Intellectual Property Rights or any Confidential Information, materials, software or other tools made available to Employee by the Company.

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6 . **Conflicts of Interest.** During the term of his employment Employee shall not engage in activities or practices involving any possible conflict of interest. These activities or practices may subject Employee to disciplinary action, up to and including termination of employment. Employee should avoid at all times the appearance of, as well as an actual, conflict of interest.

6.1 Conflicts of interest activities or practices include, but are not limited to: engaging in business conduct that is damaging to the reputation of the Company, accepting outside employment in any organization that does business with the Company or is a competitor of the Company, investing or having a financial interest in a private company which does business with the Company or having stock ownership in a publicly traded company which does business with the Company if the relationship(s) may influence Employee's business decisions (this applies to Employee and to close relatives and is applicable at the time of hire and at any time during the course of employment). If an individual does own stock in a company that does business with the Company, the relationship should be disclosed upon employment and all significant business dealings with that company will be reviewed.

6.2 Employee may not accept gifts from any person or company doing or seeking to do business with the Company. Employees are allowed to accept advertising novelties and other gifts of nominal value.

6.3 Employee may not give, offer, or promise, directly or indirectly, anything of value to any representative of any company doing business with the Company.

6.4 Employee may not select vendors on the basis of anything other than the merit of their products or services or prices for such products or services.

6.5 Discussing company information with the press without prior authorization from management is also a conflict of interest.

7. **Security and Access.** Employee agrees and covenants (i) to comply with all Company security policies and procedures as in force from time to time including without limitation those regarding computer equipment, telephone systems, voicemail systems, facilities access, monitoring, key cards, access codes, Company intranet, internet, social media and instant messaging systems, computer systems, e-mail systems, computer networks, document storage systems, software, data security, encryption, firewalls, passwords and any and all other Company facilities, IT resources and communication technologies ("**Facilities and Information Technology Resources**"); (ii) not to access or use any Facilities and Information Technology Resources except as authorized by Company; and (iii) not to access or use any Facilities and Information Technology Resources in any manner after the termination of Employee's employment by the Company, whether termination is voluntary or involuntary. Employee agrees to notify the Company promptly in the event Employee learns of any violation of the foregoing by others, or of any other misappropriation or unauthorized access, use, reproduction or reverse engineering of, or tampering with any Facilities and Information Technology Resources or other Company property or materials by others.

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**7.1 Exit Obligations.** Upon (i) voluntary or involuntary termination of Employee's employment or (ii) the Company's request at any time during Employee's employment, Employee shall (a) provide or return to the Company any and all Company property, including keys, key cards, access cards, identification cards, security devices, Company credit cards, network access devices, computers, cell phones, smartphones, equipment, manuals, reports, files, books, compilations, work product, e-mail messages, recordings, tapes, disks, thumb drives or other removable information storage devices, hard drives and data and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or Work Product, that are in the possession or control of Employee, whether they were provided to Employee by the Company or any of its business associates or created by Employee in connection with Employee's employment by the Company; and (b) delete or destroy all copies of any such documents and materials following return to the Company that remain in Employee's possession or control, including those stored on any non-Company devices, networks, storage locations and media in Employee's possession or control.

**8. Non-disparagement.** Employee agrees and covenants that Employee will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments, statements or gestures concerning the Company's products or services, and existing and prospective customers, suppliers, investors and other associated third parties, or make any maliciously false statements about the Company's employees and officers.

**9. Remedies.** Employee acknowledges that the Company's Confidential Information and the Company's ability to reserve it for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure of the Confidential Information by Employee will cause irreparable harm to the Company, for which remedies at law will not be adequate. In the event of a breach or threatened breach by Employee of any of the provisions of this Agreement, Employee hereby consents and agrees that the Company shall be entitled to, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that monetary damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief. Additionally, each of the covenants and restrictions to which Employee is subject under this Agreement, including, without limitation those in Sections 2 and 3 above, shall each be construed as independent of any other provision in this Agreement or any other agreement between Employee and the Company, and the existence of any claim or cause of action by Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants and restrictions.

**10. Successors and Assigns.**

**10.1 Assignment by the Company.** The Company may assign this Agreement to any subsidiary or corporate affiliate, or to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

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**10.2 No Assignment by Employee.** Employee may not assign this Agreement or any part hereof. Any purported assignment by Employee shall be null and void from the initial date of purported assignment.

**11. Governing Law; Jurisdiction and Venue; Jury Waiver.** This Agreement, for all purposes, shall be construed in accordance with the laws of the State of Colorado without regard to conflicts-of-law principles. Any action or proceeding by either Party to enforce this Agreement shall be brought only in any state or federal court located in the State of Colorado. The Parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue. Notwithstanding the foregoing, any action for injunctive relief may be brought in any court of competent jurisdiction. Employee and the Company each hereby waive the right to trial by jury in any such court action or proceeding between them, regardless of the subject matter, including, without limitation, any action or proceeding based upon, arising out of, or in any way relating to this Agreement and all matters concerning Employee's employment (or the termination thereof) with the Company.

**12. Entire Agreement.** Unless specifically provided herein, this Agreement contains all the understandings and representations between Employee and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

**13. Modification and Waiver.** No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by Employee and by a duly authorized officer of the Company (other than Employee). No waiver by either of the Parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the Parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

**14. Severability.** Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the Parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement. The Parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the Parties as embodied herein to the maximum extent permitted by law. The Parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

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**15 . Captions.** Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

**16 . Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. Photographic copies, electronically scanned copies and other facsimiles of this Agreement (including such signed counterparts) may be used in lieu of the originals for any purpose.

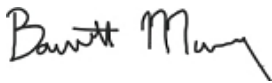
**17. At-Will Employment; No Oral Agreements.** The Company and Employee acknowledge and agree that this Agreement does not affect the ability of either party to terminate their employment relationship, which relationship, unless otherwise agreed to in writing signed by an officer of the Company, may be terminated at any time, for any or no reason. No supervisor, manager or other Company representative has the authority to make any verbal promises, commitments, or statements of any kind regarding the Company's policies, procedures or any other issues that are legally binding on the Company.

**EMPLOYEE ACKNOWLEDGES THAT HE HAS READ AND UNDERSTANDS THESE TERMS AND CONDITIONS OF EMPLOYMENT AND AGREES THAT THESE TERMS AND CONDITIONS ARE NECESSARY FOR THE REASONABLE AND PROPER OPERATION OF THE COMPANY'S BUSINESS. EMPLOYEE FURTHER ACKNOWLEDGES THAT THE COMPANY HAS ADVISED HIM THAT HE IS ENTITLED TO HAVE THIS AGREEMENT REVIEWED BY AN ATTORNEY OF HIS SELECTION PRIOR TO SIGNING, AND HAS EITHER DONE SO OR ELECTED TO FOREGO THAT RIGHT.**

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date above.

**AGEAGLE AERIAL SYSTEMS, INC.**

By:   
Name: Barrett Mooney  
Title: CEO

**EMPLOYEE:**

Signature:   
Print Name: Nicole Fernandez-McGovern

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**COLORADO COMMERCIAL LEASE AGREEMENT**

This Lease Agreement (Lease) is entered into on this:

1st day of June, 2018

by and between

Advanced Radar Comapny (Landlord)

and

AgribotixAgribotix LLC (“Agribotix”) (Tenant)

Landlord is the owner of building and improvements whose address is: 3309 Airport Road, Boulder, Colorado 80301

Landlord makes available for lease a portion of the Building designated as Unit 2, (Leased Premises as shown on Exhibit B). This space is approximately 1000 square feet.

Landlord desires to lease the Leased Premises to Tenant, and Tenant desires to lease the Leased Premises from Landlord for the term, at the rental and upon the provisions set forth herein.

THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, it is agreed:

**Term.**

The Initial Term of the Lease shall begin on the:

1<sup>st</sup> day of June, 2018 or upon Lease Execution, whichever is the later.

and be month to month.

Landlord shall use its best efforts to put Tenant in possession of the Leased Premises on the beginning of the Lease term. If Landlord is unable to timely provide the Leased Premises, rent shall abate for the period of delay. Tenant shall make no other claim against Landlord for any such delay.

**Gross Rent.**

Tenant shall pay to Landlord during the Initial Term rent of:

Months 1-12:        \$2,000 USD

Each instalment payment shall be due in advance on the first day of each calendar month during the lease term to Landlord at the following address:

The rental payment amount for any partial calendar months included in the lease term shall be prorated on a daily basis.

Tenant shall also pay to Landlord a "Security Deposit" in the amount of one months' gross rent, or \$2,000 Dollars (USD). Such Deposit shall be due upon Lease Execution.

**Use.**

Agribotix to include an aviation aspect.

**Prohibited Uses.**

Notwithstanding the forgoing, Tenant shall not use the Leased Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing or device.

**Sublease and Assignment.**

Tenant, without Landlord's prior written consent, shall have the right, to assign this Lease to AgEagle Aerial Systems, Inc based at 117 South 4th Street, Neodesha, Kansas 66757.

Except as set forth above, Tenant shall not sublease all or any part of the Leased Premises, or assign this Lease in whole or in part without Landlord's consent, such consent not to be unreasonably withheld or delayed.

**Repairs.**

During the Lease term, Tenant shall make, at Tenant's expense, all necessary repairs to the Leased Premises. Repairs shall include such items as routine repairs of floors, walls, ceilings, and other parts of the Leased Premises damaged or worn through normal occupancy, except for major mechanical systems or the roof, subject to the obligations of the parties otherwise set forth in this Lease.

**Access to Conference Room.**

Tenant shall have access to the Shared Conference Room (see Exhibit B) approximately 40% of the time. Access to be managed by on-line scheduling tool.

**Landlord Delivery and Improvements:**

Landlord shall deliver the Premises in clean and orderly condition. Landlord will also remove any furniture the Tenant does not want to remain within the Premises.

**Alterations and Improvements.**

Tenant, at Tenant's expense, shall have the right, upon obtaining Landlord's prior written consent, to remodel, redecorate, and make additions, improvements and replacements of and to all or any part of the Leased Premises from time to time as Tenant may deem desirable, provided the same are made in a workmanlike manner and utilizing good quality materials, and licensed contractors. Tenant shall have the right to place and install personal property, trade fixtures, equipment and other temporary installations in and upon the Leased Premises, and fasten the same to the premises. All personal property, equipment, machinery, trade fixtures and temporary installations, whether acquired by Tenant at the commencement of the Lease term or placed or installed on the Leased Premises by Tenant thereafter, shall remain Tenant's property free and clear of any claim by Landlord. Tenant shall have the right to remove the same at any time during the term of this Lease provided that Tenant shall repair, at Tenant's expense, all damage to the Leased Premises caused by such removal.

**Building Operating Expenses.**

All Operating Expenses (including but not limited to real property taxes, insurance, utilities, common area maintenance, management, gas, electric, water, sewer, landscaping, snow removal, HVAC maintenance etc), as well as internet access and interior janitorial shall be included in the gross rental rate.

**Property Taxes.**

Landlord shall pay, prior to delinquency, all general real estate taxes and instalments of special assessments coming due during the Lease term on the Leased Premises, and all personal property taxes with respect to Landlord's personal property, if any, on the Leased Premises. Tenant shall be responsible for paying all personal property taxes with respect to Tenant's personal property at the Leased Premises.

**Insurance.**

If the Leased Premises or any other part of the Building is damaged by fire or other casualty resulting from any act of negligence by Tenant or by any of Tenant's agents, employees or invitees, rent shall not be diminished or abated while such damages are under repair, and Tenant shall be responsible for the costs of repair not covered by insurance.

Landlord shall maintain fire and extended coverage insurance on the Building and the Leased Premises in such amount, as Landlord shall deem appropriate. Tenant shall be responsible, at its expense, for fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Leased Premises.

Tenant and Landlord shall, each at its own expense, maintain a policy or policies of comprehensive general liability insurance with respect to the particular activities of each in the Building with the premiums thereon fully paid on or before due date.

**Utilities.**

Landlord shall pay all charges for water, sewer, gas, electricity, and other utilities used by Tenant on the Leased Premises during the term of this Lease unless otherwise expressly agreed in writing by Landlord.

Tenant shall pay such all such utility charges prior to the due date. Tenant acknowledges that the Leased Premises are designed to provide standard office use electrical facilities and standard office lighting. Tenant shall not use any equipment or devices that utilizes excessive electrical energy or which may, in Landlord's reasonable opinion, over load the wiring or interfere with electrical services to other tenants.



**Signs.**

Following Landlord's consent, Tenant shall have the right to place on the Leased Premises, at locations selected by Tenant, any signs which are permitted by applicable zoning ordinances and private restrictions. Landlord may refuse consent to any proposed signage that is in Landlord's opinion too large, deceptive, unattractive or otherwise inconsistent with or inappropriate to the Leased Premises or use of any other tenant. Landlord shall assist and cooperate with Tenant in obtaining any necessary permission from governmental authorities or adjoining owners and occupants for Tenant to place or construct the foregoing signs. Tenant shall repair all damage to the Leased Premises resulting from the removal of signs installed by Tenant.

**Entry.**

Landlord shall have the right to enter upon the Leased Premises at reasonable hours to inspect the same, provided Landlord shall not thereby unreasonably interfere with Tenant's business on the Leased Premises.

**Parking.**

During the term of this Lease, Tenant shall have the non-exclusive use in common with Landlord, other tenants of the Building, their guests and invitees, of the non-reserved common automobile parking areas, driveways, and footways, subject to rules and regulations for the use thereof as prescribed from time to time by Landlord. Landlord reserves the right to designate parking areas for Tenant and Tenant's agents and employees.

**Damage and Destruction.**

If the Leased Premises or any part thereof or any appurtenance thereto is so damaged by fire, casualty or structural defects, such damage or defects not being the result of any act of negligence by Tenant or by any of Tenant's agents, employees or invitees, that the same cannot be used for Tenant's purposes, then Tenant shall have the right within ninety (90) days following damage to elect by notice to Landlord to terminate this Lease as of the date of such damage. In the event of minor damage to any part of the Leased Premises, and if such damage does not render the Leased Premises unusable for Tenant's purposes, Landlord shall promptly repair such damage at the cost of the Landlord. In making the repairs called for in this paragraph, Landlord shall not be liable for any delays resulting from strikes, governmental restrictions, inability to obtain necessary materials or labour or other matters which are beyond the reasonable control of Landlord. Tenant shall be relieved from paying rent and other charges during any portion of the Lease term that the Leased Premises are inoperable or unfit for occupancy, or use, in whole or in part, for Tenant's purposes. Rentals and other charges paid in advance for any such periods shall be credited on the next ensuing payments, if any, but if no further payments are to be made, any such advance payments shall be refunded to Tenant. The provisions of this paragraph extend not only to the matters aforesaid, but also to any occurrence which is beyond Tenant's reasonable control and which renders the Leased Premises, or any appurtenance thereto, inoperable or unfit for occupancy or use, in whole or in part, for Tenant's purposes.

**Default.**

In the event of a default made by Tenant in the payment of rent when due to Landlord, Tenant shall have fifteen (15) days after receipt of written notice thereof to cure such default. In the event of a default made by Tenant in any of the other covenants or conditions to be kept, observed and performed by Tenant, Tenant shall have thirty (30) days after receipt of written notice thereof to cure such default. In the event that the Tenant shall fail to cure any default within the time allowed under this paragraph, Landlord may declare the term of this Lease ended and terminated by giving Tenant written notice of such intention, and if possession of the Leased Premises is not surrendered, Landlord may re-enter said premises. Landlord shall have, in addition to the remedy above provided, any other right or remedy available to Landlord on account of any Tenant default, either in law or equity. Landlord shall use reasonable efforts to mitigate its damages.

**Quiet Possession.**

Landlord covenants and warrants that upon performance by Tenant of its obligations hereunder, Landlord will keep and maintain Tenant in exclusive, quiet, peaceable and undisturbed and uninterrupted possession of the Leased Premises during the term of this Lease.

**Condemnation.**

If any legally, constituted authority condemns the Building or such part thereof which shall make the Leased Premises unsuitable for leasing, this Lease shall cease when the public authority takes possession, and Landlord and Tenant shall account for rental as of that date. Such termination shall be without prejudice to the rights of either party to recover compensation from the condemning authority for any loss or damage caused by the condemnation. Neither party shall have any rights in or to any award made to the other by the condemning authority.

**Security Deposit.**

Landlord shall hold the Security Deposit without liability for interest and as security for the performance by Tenant of Tenant's covenants and obligations under this Lease, it being expressly understood that Tenant shall not consider the Security Deposit an advance payment of rent or a measure of Landlord's damages in case of default. Unless otherwise provided by law or regulation, Landlord may commingle the Security Deposit with Landlord's other funds. Landlord may, from time to time, without prejudice to any other remedy, use the Security Deposit to the extent necessary to make good any arrearages of rent or to satisfy any other covenant or obligation of Tenant hereunder. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. Landlord shall return the Security Deposit, to the extent not applied by Landlord, to Tenant within 60 days of the termination or expiration of the Lease unless the Tenant decides to stay month to month at which the Landlord shall keep the security deposit until that time when the Tenant leaves.

**Notice.**

Any notice required or permitted under this Lease shall be deemed sufficiently given or served if sent by certified mail, return receipt requested, addressed as follows:

Landlord:      Advanced Radar Corporation  
                  3309 Airport Road, Unit A  
                  Boulder, Colorado 80301

Tenant:         Agribotix  
                  3309 Airport Road  
                  Boulder, Colorado 80301

Landlord and Tenant shall each have the right from time to time to change the place notice is to be given under this paragraph by written notice thereof to the other party.

**Brokers.**

Tenant represents that Tenant was not shown the Premises by any real estate broker or agent and that Tenant has not otherwise engaged in, any activity which could form the basis for a claim for real estate commission, brokerage fee, finder's fee or other similar charge, in connection with this Lease.

**Waiver.**

No waiver of any default of Landlord or Tenant hereunder shall be implied from any omission to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. One or more waivers by Landlord or Tenant shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

**Headings.**

The headings used in this Lease are for convenience of the parties only and shall not be considered in interpreting the meaning of any provision of this Lease.

**Successors.**

The provisions of this Lease shall extend to and be binding upon Landlord and Tenant and their respective legal representatives, successors and assigns.

**Consent.**

Landlord shall not unreasonably withhold or delay its consent with respect to any matter for which Landlord's consent is required or desirable under this Lease.

**Performance.**

If there is a default with respect to any of Landlord's covenants, warranties or representations under this Lease, and if the default continues more than fifteen (15) days after notice in writing from Tenant to Landlord specifying the default, Tenant may, at its option and without affecting any other remedy hereunder, cure such default and deduct the cost thereof from the next accruing instalment or instalments of rent payable hereunder until Tenant shall have been fully reimbursed for such expenditures, together with interest thereon at a rate equal to the lesser of:

Ten percent (10%) per annum or the then highest lawful rate. If this Lease terminates prior to Tenant's receiving full reimbursement, Landlord shall pay the un-reimbursed balance plus accrued interest to Tenant on demand.

**Compliance with Law.**

Tenant and Landlord each shall comply with all laws, orders, ordinances and other public requirements now or hereafter affecting the Leased Premises.

**Final Agreement.**

This Agreement terminates and supersedes all prior understandings or agreements on the subject matter hereof. This Agreement may be modified only by a further writing that is duly executed by both parties.

**Contingency.**


This agreement is contingent upon receiving necessary approvals from the FAA regarding the use.

**Option(s) to Terminate.**

Tenant shall be given the Option to Terminate the Lease at any time. Tenant must provide Landlord with at least thirty (30) days prior written notice to exercise this Option.

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

Landlord : Advanced Radar Corporation

By   
Name Jacob Bruintjes  
Title: Program Manager  
Date: 6/5/2018 1:55:33 PM PDT

Tenant: Agribotix, LLC


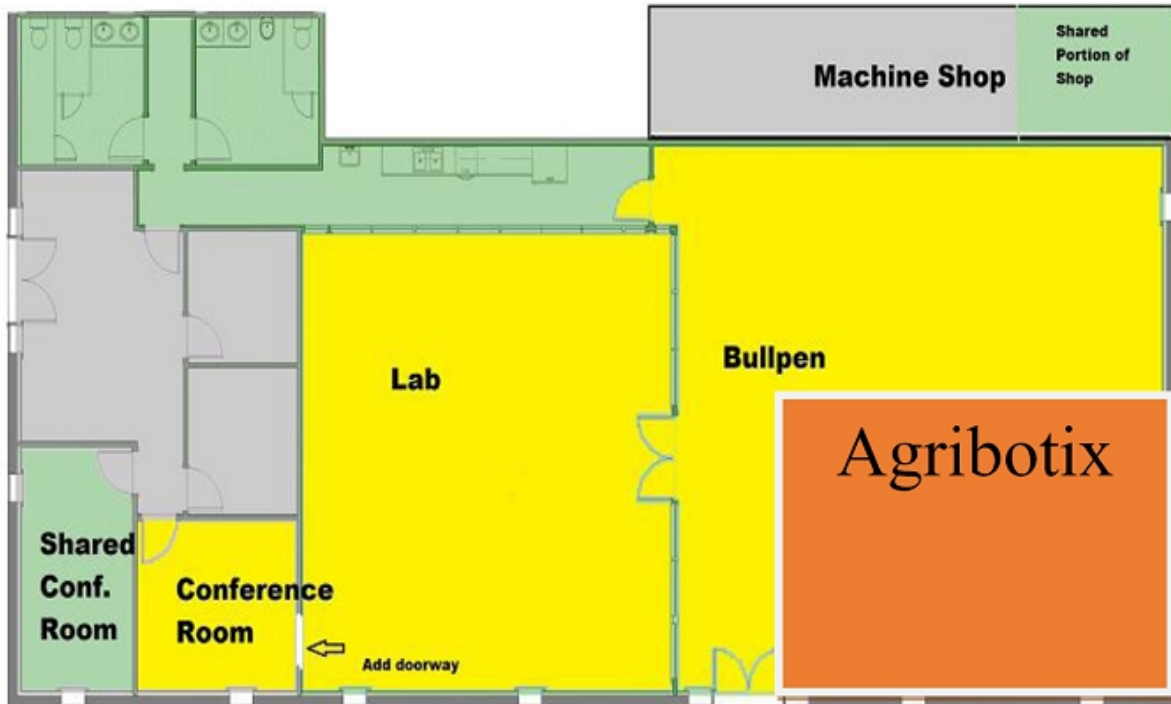
By   
Name Paul Hoff  
Title: COO  
Date: 5/31/2018 11:07:10 AM PDT

Exhibit B

Leased Premises and Common Area





AgEagle Aerial Systems  
216 N. 8<sup>th</sup>  
Neodesha, KS 66757

08/17/18

Ed Truelove  
City of Neodesha  
Neodesha, KS 66757

Ed:

We want to thank you and the city for the support in the form of the incubator building. Without this support, AgEagle would simply have been a dream of what "could have been". The incubator building has been a significant component in our progress.

As you may recall, we have invested significantly in upgrades to the building including the addition of offices, heating and air as well as general maintenance. The building is servicing us well. For all of these reasons and the fact that our small startup business still needs the support of the incubator building we wish to extend the lease. Below are the conditions we wish to extend the lease by:

- Extend from 09/15/18 to a year to year lease
- We will pay \$500 per month for the next twelve months (per the agreement where the first year was free and the rent went up \$100 per month each additional year)
- We will have the option of extending the lease each following year

In reviewing of the lease, I found an error in the rent payments we have been paying this year. We should have been paying \$400 per month, but we were still paying \$300 from the prior years numbers. So we will issue a check for the difference which is \$1,200.

One more thing I found is that we missed a rent payment in January. We will also be issuing a check for January.

Thank you for your support!

Bret Chilcott  
President and Chairman of the Board

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**List of Subsidiaries**

**AgEagle Aerial, Inc.**  
**EnerJex Kansas, Inc.**  
**Black Sable Energy, LLC**  
**Black Raven Energy, Inc.**

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**Certification**

I, Barrett Mooney, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2018 of AgEagle Aerial Systems Inc. (the “registrant”);

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 officers 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 fourth fiscal quarter 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 reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

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

Date: March 28, 2019

/s/ Barrett Mooney

Barrett Mooney

Chief Executive Officer (Principal Executive Officer)

CERTIFICATION

I, Nicole Fernandez-McGovern, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2018 of AgEagle Aerial Systems Inc.(the “registrant”);
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 officers 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 fourth fiscal quarter 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 reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 28, 2019

*/s/ Nicole Fernandez-McGovern*  
*Nicole Fernandez-McGovern*  
Chief Financial Officer (Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of AgEagle Aerial Systems, Inc. (the "Company") on Form 10-K pursuant for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barrett Mooney, Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2019

/s Barrett Mooney  
Barrett Mooney  
Chief Executive Officer (Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of AgEagle Aerial Systems, Inc (the "Company") on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicole Fernandez-McGovern, Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2019

/s/ Nicole Fernandez-McGovern  
Nicole Fernandez-McGovern  
Chief Financial Officer (Principal Financial Officer)

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