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

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended September 30, 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: **001-34643**

DropCar, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**98-0204758**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

DropCar, Inc.
1412 Broadway, Suite 2105
New York, New York 10018
(646) 342-1595
(Registrant's telephone number, including area code)

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

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock par value $0.0001 per share	DCAR	The Nasdaq Stock Market

As of November 8, 2018, there were 1,618,741 shares of the registrant's common stock, $0.0001 par value per share, issued and outstanding.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this report contain or may contain forward-looking statements. These statements, identified by words such as "plan," "anticipate," "believe," "estimate," "should," "expect" and similar expressions, include our expectations and objectives regarding our future financial position, operating results and business strategy. These statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, our inability to obtain adequate financing, our inability to expand our business, existing or increased competition, stock volatility and illiquidity, and the failure to implement our business plans or strategies. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Readers should carefully review this report in its entirety, including but not limited to our financial statements and the notes thereto and the risks described in our Current Report on Form 8-K/A filed with the Securities and Exchange Commission (the "SEC") on April 2, 2018 and other reports we file with the SEC. We advise you to carefully review the reports and documents we file from time to time with the SEC, particularly our quarterly reports on Form 10-Q and our current reports on Form 8-K. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to publicly release any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events.

OTHER INFORMATION

When used in this report, the terms, "we," the "Company," "our," and "us" refer to DropCar, Inc., a Delaware corporation (previously named WPCS International Incorporated), and its consolidated subsidiaries.

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EXPLANATORY NOTE

We are filing this Amendment No. 1 to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 ("Form 10-Q/A"), which was filed with the United States Securities and Exchange Commission ("SEC") on November 14, 2018 (the "Original Filing"), to reflect restatements of the Consolidated Balance Sheet at September 30, 2018, the Consolidated Statements of Operations, Changes in Shareholders' Equity (Deficit), and Cash Flows for the nine months ended September 30, 2018, and the related notes thereto.

On January 30, 2018, DC Acquisition Corporation ("Merger Sub"), a wholly-owned subsidiary of WPCS International Incorporated ("WPCS"), completed its merger with and into DropCar, Inc. ("Private DropCar"), with Private DropCar surviving as a wholly owned subsidiary of WPCS. This transaction is referred to as the "Reverse Merger." The Company, while undergoing the audit of its consolidated financial statements for the year ended December 31, 2018, commenced an evaluation of its accounting in connection with the Reverse Merger for (1) lock-up agreements entered into with the holders of the Notes (see Note 5), and (2) shares of common stock issued to Alpha Capital Anstalt and Palladium Capital Advisors (see Note 7, Service Based Common Stock). These agreements, which management originally deemed to be primarily equity in nature and would not be recognized as compensatory, were recorded as a debit and credit to additional paid in capital. On March 29, 2019, under the authority of the board of directors, the Company determined that these agreements should have been recorded as compensatory in nature, which gives rise to an adjustment in the amount of $1,119,294 for the periods ended March 31, 2018, June 30, 2018, and September 30, 2018.

On December 24, 2018, the Company completed the sale of WPCS International – Suisun City, Inc., a California corporation (the "Suisun City Operations"), its wholly-owned subsidiary, pursuant to the terms of a stock purchase agreement, dated December 10, 2018 (the "Purchase Agreement") by and between the Company and World Professional Cabling Systems, LLC, a California limited liability company (the "Purchaser"). Upon the closing of the sale, the Purchaser acquired all of the issued and outstanding shares of common stock, no par value per share, of Suisun City Operations, for an aggregate purchase price of $3,500,000. The sale of Suisun City Operations represented a strategic shift that has had a major effect on the Company's operations, and therefore, is presented as discontinued operations in the 2018 consolidated statement of operations. The 2017 statement of operations is not recast as the business was not owned by DropCar at that time.

The following sections in the Original Filing are revised in this Form 10-Q/A, solely as a result of, and to reflect, the restatement:

Part I - Item 1 - Financial Statements
Part I - Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations
Part II - Item 6 – Exhibits

Additionally, on March 8, 2019, the Company filed a certificate of amendment to its amended and restated certificate of incorporation with the Secretary of State of the State of Delaware to effect a one-for-six reverse stock split of its outstanding shares of common stock. Proportional adjustments for the reverse stock split were made retroactively to the Company's shares of common stock, outstanding stock options, warrants and equity incentive plans for all periods presented.

Pursuant to the rules of the SEC, Part II, Item 6 of the Original Filing has been amended to include the currently-dated certifications from our principal executive officer and principal financial officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the principal executive officer and principal financial officer are included in this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.1.

For the convenience of the reader, this Form 10-Q/A sets forth the information in the Original Filing in its entirety, as such information is modified and superseded where necessary to reflect the restatement. This Form 10-Q/A should be read in conjunction with our filings with the SEC subsequent to the date of the Original Filing, in each case as those filings may have been, or with respect to the Initial Filings will be, superseded or amended.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

DropCar, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2018 (Restated) (Unaudited)	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 895,658	$ 372,011
Accounts receivable, net	192,058	187,659
Prepaid expenses and other current assets	387,046	51,532
Current assets of discontinued operations	5,440,684	-
Total current assets	6,915,446	611,202
Property and equipment, net	42,538	5,981
Capitalized software costs, net	679,304	589,584
Other assets	3,000	3,000
Noncurrent assets of discontinued operations	5,382,408	-
TOTAL ASSETS	$ 13,022,696	$ 1,209,767
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,916,486	$ 1,820,731
Deferred income	23,215	236,433
Accrued interest	-	135,715
Current liabilities of discontinued operations	3,428,241	-
Total current liabilities	5,367,942	2,192,879
Noncurrent liabilities of discontinued operations	69,373	-
Convertible note payable, net of debt discount	-	3,506,502
TOTAL LIABILITIES	5,437,315	5,699,381
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, $0.0001 par value, 5,000,000 shares authorized		
Series seed preferred stock, 275,691 shares authorized, zero and 275,691 issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	-	27
Series A preferred stock, 642,728 shares authorized, zero and 611,944 issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	-	61
Convertible Series H, 8,500 shares designated, 8 and zero shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	-	-
Convertible Series H-1, 9,488 shares designated zero shares issued and outstanding as of September 30, 2018 and December 31, 2017	-	-
Convertible Series H-2, 3,500 shares designated zero shares issued and outstanding as of September 30, 2018 and December 31, 2017	-	-
Convertible Series H-3, 8,461 shares designated 2,189 and zero shares issued and outstanding as of September 30, 2018 and December 31, 2017	-	-
Convertible Series H-4, 30,000 shares designated 26,843 and zero shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	3	-
Common stock, $0.0001 par value; 100,000,000 shares authorized, 1,618,741 and 374,285 issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	162	37
Additional paid in capital	30,327,772	5,115,158
Accumulated deficit	(22,742,556)	(9,604,897)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	7,585,381	(4,489,614)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 13,022,696	$ 1,209,767

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

DropCar, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
			(Restated)	
SERVICE REVENUES	$ 1,389,134	$ 1,269,556	$ 4,955,206	$ 2,797,409
COST OF REVENUE	1,789,021	1,426,874	6,613,583	2,869,995
GROSS LOSS	(399,887)	(157,318)	(1,658,377)	(72,586)
OPERATING EXPENSES				
Research and development expenses	60,299	-	238,431	-
Selling, general and administrative expenses	2,690,991	2,319,433	8,943,389	4,170,450
Depreciation and amortization	94,031	45,576	257,440	136,403
TOTAL OPERATING EXPENSES	2,845,321	2,365,009	9,439,260	4,306,853
OPERATING LOSS	(3,245,208)	(2,522,327)	(11,097,637)	(4,379,439)
Interest income (expense), net	171	(380,598)	(1,081,328)	(708,991)
LOSS FROM CONTINUING OPERATIONS	(3,245,038)	(2,902,925)	(12,178,965)	(5,088,430)
DISCONTINUED OPERATIONS				
Income (loss) from operations of discontinued component	(83,736)	-	377,207	-
INCOME FROM DISCONTINUED OPERATIONS	(83,736)	-	377,207	-
NET LOSS	(3,328,773)	(2,902,925)	(11,801,758)	(5,088,430)
Deemed dividend on exchange of warrants	(1,019,040)	-	(1,335,901)	-
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (4,347,813)	$ (2,902,925)	$ (13,137,659)	$ (5,088,430)
LOSS PER SHARE FROM CONTINUING OPERATIONS:				
Basic	$ (2.26)	$ (8.27)	$ (9.65)	$ (16.60)
Diluted	$ (2.26)	$ (8.27)	$ (9.65)	$ (16.60)
EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS:				
Basic	$ (0.06)	$ -	$ 0.30	$ -
Diluted	$ (0.06)	$ -	$ 0.30	$ -
NET LOSS PER SHARE:				
Basic	$ (3.03)	$ (8.27)	$ (10.41)	$ (16.60)
Diluted	$ (3.03)	$ (8.27)	$ (10.41)	$ (16.60)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	1,434,963	351,133	1,262,409	306,563
Diluted	1,434,963	351,133	1,262,409	306,563

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

DropCar, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity (Deficit)
(Unaudited)

	Series Seed Preferred Stock		Series A Preferred Stock		Series H Preferred Stock		Series H-3 Preferred Stock		Series H-4 Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Subscription Receivable	Paid-in Capital	Accumulated Deficit	Total
Balance, January 1, 2018	275,691	$ 27	611,944	$ 61	-	$ -	-	$ -	-	$ -	374,285	$ 37	0	$ 5,115,158	$ (9,604,897)	$ (4,489,614)
Issuance of common stock for cash	-	-	-	-	-	-	-	-	-	-	10,057	1	-	299,999	-	300,000
Conversion of debt into common stock	-	-	-	-	-	-	-	-	-	-	136,785	14	-	3,682,488	-	3,682,502
Conversion of accrued interest into common stock	-	-	-	-	-	-	-	-	-	-	4,518	-	-	159,584	-	159,584
Interest on lock-up shares in relation to convertible debt	-	-	-	-	-	-	-	-	-	-	85,571	9	-	672,135	-	672,144
Exchange of shares in connection with Merger	-	-	-	-	-	-	-	-	-	-	490,422	49	-	9,792,174	-	9,792,223
Conversion of outstanding Preferred Stock in connection with merger	(275,691)	(27)	(611,944)	(61)	-	-	-	-	-	-	147,939	15	-	73	-	-
Issuance of Series H preferred stock in connection with merger	-	-	-	-	8	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series H-3 preferred stock in connection with merger	-	-	-	-	-	-	2,189	-	-	-	-	-	-	-	-	-
Issuance of Series H-4 preferred stock and warrants in private placement net of costs of $101,661	-	-	-	-	-	-	-	-	25,472	3	-	-	-	5,898,336	-	5,898,339
Issuance of common shares in connection with exercise of H-4 warrants	-	-	-	-	-	-	-	-	-	-	260,116	26	-	936,397	-	936,423
Stock based compensation for options issued to employees	-	-	-	-	-	-	-	-	-	-	-	-	-	54,556	-	54,556
Stock based compensation for restricted stock units issued to employees	-	-	-	-	-	-	-	-	-	-	-	-	-	1,902,032	-	1,902,032
Stock based compensation for common stock issued to service provider	-	-	-	-	-	-	-	-	-	-	60,262	-	-	478,950	-	478,950
Series H-4 preferred stock and warrants issued to service provider	-	-	-	-	-	-	-	-	1,371	-	-	-		-	-	-
Deemed dividend on exchange of merger warrants to Series I warrants and common stock	-	-	-	-	-	-	-	-	-	-	48,786	5	-	316,856	(316,861)	-
Deemed dividend on modification of H-4 Warrants and issuance of Series J warrants	-	-	-	-	-	-	-	-	-	-	-	6	-	1,019,034	(1,019,040)	-
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,801,758)	(11,801,758)
Balance September 30, 2018 (Restated)	-	$ -	-	$ -	8	$ -	2,189	$ -	26,843	$ 3	1,618,741	$ 162	$ 0	$ 30,327,772	$ (22,742,556)	$ 7,585,381

	Series Seed Preferred Stock Shares	Amount	Series A Preferred Stock Shares	Amount	Common Stock Shares	Amount	Subscription Receivable	Additional Paid-in Capital	Accumulated (Deficit)	Total
Balances, January 1, 2017	275,691	$ 27	530,065	$ 53	272,720	$ 27	$ (69,960)	$ 2,117,237	$ (1,964,091)	$ 83,293
Issuance of Series A Preferred Stock	-	-	73,845	7	-	-	69,960	150,001	-	219,968
Issuance of Series A Preferred stock for services	-	-	8,034	1	-	-	-	24,999	-	25,000
Fair value of warrants issued with convertible notes	-	-	-	-	-	-	-	1,426,789	-	1,426,789
Issuance of common stock to officers					101,565	10	-	546,090	-	546,100
Stock based compensation	-	-	-	-	-	-	-	137,900	-	137,900
Net Loss	-	-	-	-	-	-	-	-	(5,088,430)	(5,088,430)
Balance, September 30, 2017	275,691	$ 27	611,944	$ 61	374,285	$ 37	$ -	$ 4,403,016	(7,052,521)	$ (2,649,380)

- See note 1 for share exchange and reverse split

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

DropCar, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30, 2018 (Restated)	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (11,801,758)	$ (5,088,430)
Income from discontinued operations	(377,207)	-
Loss from continuing operations	(12,178,965)	(5,088,430)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	257,440	136,403
Bad debt provision	-	42,057
Amortization of debt discount	176,000	638,370
Stock based compensation	2,435,538	709,000
Non-cash interest expense	696,013	-
Changes in operating assets and liabilities:		
Accounts receivable	(4,399)	(138,582)
Prepaid expenses and other assets	(335,514)	(39,844)
Accounts payable and accrued expenses	95,756	565,286
Accrued interest	-	70,803
Deferred revenue	(213,218)	125,174
NET CASH USED IN OPERATING ACTIVITIES - CONTINUING OPERATIONS	(9,071,349)	(2,979,763)
NET CASH USED IN OPERATING ACTIVITIES - DISCONTINUED OPERATIONS	(995,250)	-
NET CASH USED IN OPERATING ACTIVITIES	(10,066,599)	(2,979,763)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(43,108)	(6,600)
Capitalization of software costs	(340,608)	(317,019)
NET CASH USED IN INVESTING ACTIVITIES - CONTINUING OPERATIONS	(383,716)	(323,619)
NET CASH PROVIDED BY INVESTING ACTIVITIES - DISCONTINUED OPERATIONS	3,875,529	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,491,813	(323,619)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the sale of common stock	300,000	-
Proceeds from the sale of Series H-4 preferred stock	6,000,000	-
Financing costs from the sale of Series H-4 preferred stock and warrants	(101,661)	-
Proceeds from issuance of common stock in connection with exercise of H-4 warrants	936,423	-
Proceeds from issuance of Series A Preferred Stock and subscription receivable	-	219,969
Proceeds from issuance of convertible notes and warrants	-	3,340,000
Offering costs - Convertible Notes	-	(263,200)
NET CASH PROVIDED BY FINANCING ACTIVITIES - CONTINUING OPERATIONS	7,134,762	3,296,769
NET CASH USED IN FINANCING ACTIVITIES - DISCONTINUED OPERATIONS	(36,329)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	7,098,433	3,296,769
Net increase (decrease) in cash	523,647	(6,613)
Cash, beginning of period	372,011	51,366
Cash, end of period	$ 895,658	$ 44,753
SUPPLEMENTAL CASH FLOW INFORMATION:		
NON-CASH FINANCING ACTIVITIES:		
Fair value of stock warrants issued with convertible notes	$ -	$ 1,395,707
Fair value of common stock sold to founders	$ -	$ 684,000
Stock issued to WPCS Shareholder in the merger net of cash received of $4,947,023	$ 4,845,200	$ -
Series H-4 offering cost paid in H-4 shares and warrants	$ 568,468	$ -
Stock issued for convertible note payable	$ 3,682,502	$ -
Stock issued for accrued interest on convertible note payable	$ 159,584	$ -
Deemed dividends on warrant issuances	$ 1,335,872	$ -

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

1. The Company

Reverse Merger and Exchange Ratio

On January 30, 2018, DC Acquisition Corporation ("Merger Sub"), a wholly-owned subsidiary of WPCS International Incorporated ("WPCS"), completed its merger with and into DropCar, Inc. ("Private DropCar"), with Private DropCar surviving as a wholly owned subsidiary of WPCS. This transaction is referred to as the "Reverse Merger." The Reverse Merger was effected pursuant to an Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), dated September 6, 2017, by and among WPCS, Private DropCar and Merger Sub.

As a result of the Reverse Merger, each outstanding share of Private DropCar share capital (including shares of Private DropCar share capital issued upon the conversion of outstanding convertible debt) automatically converted into the right to receive approximately 0.3273 shares of WPCS's common stock, par value $0.0001 per share (the "Exchange Ratio"). Following the closing of the Reverse Merger, holders of WPCS's common stock immediately prior to the Reverse Merger owned approximately 22.9% on a fully diluted basis, and holders of Private DropCar common stock immediately prior to the Reverse Merger owned approximately 77.1% on a fully diluted basis, of WPCS's common stock.

The Reverse Merger has been accounted for as a reverse acquisition under the acquisition method of accounting where Private DropCar is considered the accounting acquirer and WPCS is the acquired company for financial reporting purposes. Private DropCar was determined to be the accounting acquirer based on the terms of the Merger Agreement and other factors, such as relative voting rights and the composition of the combined company's board of directors and senior management, which was deemed to have control. The pre-acquisition financial statements of Private DropCar became the historical financial statements of WPCS following the Reverse Merger. The historical financial statements, outstanding shares and all other historical share information have been adjusted by multiplying the respective share amount by the Exchange Ratio as if the Exchange Ratio had been in effect for all periods presented.

Immediately following the Reverse Merger, the combined company changed its name from WPCS International Incorporation to DropCar, Inc. The combined company following the Reverse Merger may be referred to herein as "the combined company," "DropCar," or the "Company."

The Company's shares of common stock listed on The Nasdaq Capital Market, previously trading through the close of business on January 30, 2018 under the ticker symbol "WPCS," commenced trading on The Nasdaq Capital Market, on a post-Reverse Stock Split adjusted basis, under the ticker symbol "DCAR" on January 31, 2018.

Discontinued Operations

On December 24, 2018, the Company completed the sale of WPCS International – Suisun City, Inc., a California corporation (the "Suisun City Operations"), its wholly-owned subsidiary, pursuant to the terms of a stock purchase agreement, dated December 10, 2018 (the "Purchase Agreement") by and between the Company and World Professional Cabling Systems, LLC, a California limited liability company (the "Purchaser"). Upon the closing of the sale, the Purchaser acquired all of the issued and outstanding shares of common stock, no par value per share, of Suisun City Operations, for an aggregate purchase price of $3,500,000. The sale of Suisun City Operations represented a strategic shift that has had a major effect on the Company's operations, and therefore, is presented as discontinued operations in the 2018 consolidated statement of operations. The 2017 statement of operations is not recast as the business was not owned by DropCar at that time.

Notification Letter

On September 25, 2018, the Company received a notification letter from The Nasdaq Stock Market ("Nasdaq") informing the Company that for the last 30 consecutive business days, the bid price of the Company's securities had closed below $1.00 per share, which is the minimum required closing bid price for continued listing on The Nasdaq Capital Market pursuant to Listing Rule 5550(a)(2).

Reverse Stock Split

On March 8, 2019, the Company filed a certificate of amendment to its amended and restated certificate of incorporation with the Secretary of State of the State of Delaware to effect a one-for-six reverse stock split of its outstanding shares of common stock. Proportional adjustments for the reverse stock split were made retroactively to the Company's shares of common stock, outstanding stock options, warrants and equity incentive plans for all periods presented.

Acquisition Accounting

The fair value of WPCS assets acquired and liabilities assumed was based upon management's estimates assisted by an independent third-party valuation firm. The assumptions are subject to change within the measurement period up to one year from date of acquisition. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer relationships and the trade name, present value and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

The purchase price allocation of $9.8 million was as follows:

Fair value of equity consideration, 4,685,164 common shares	$ 9,792,000
Liability assumed: notes payable	158,000
Total purchase price consideration	$ 9,950,000
Tangible assets	
Net working capital (1)	$ 6,664,000
Deferred revenue	(2,300,000)
Fixed assets & equipment	376,000
Intangible assets (2)	
Customer contracts	1,200,000
Trade name	600,000
Goodwill	3,410,000
Total allocation of purchase price consideration	$ 9,950,000

(1) Net working capital consists of cash of $4,947,000; accounts receivable and contract assets of $3,934,000; other assets of $318,000; and accrued liabilities of $2,535,000.

(2) The useful lives related to the acquired customer relationships and trade name are expected to be approximately 10 years.

Unaudited Interim Consolidated Financial Information

The accompanying consolidated balance sheets as of September 30, 2018, the consolidated statements of operations for the three and nine months ended September 30, 2018 and 2017, the consolidated statements of cash flows for the nine months ended September 30, 2018 and 2017, and the consolidated statement of stockholders' equity (deficit) for the nine months ended September 30, 2018 are unaudited. These financial statements should be read in conjunction with the DropCar, Inc's. 2017 financial statements included in the Company's Form 8-K/A filed on April 2, 2018. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of September 30, 2018 and December 31, 2017, and the results of its operations for the three and nine months ended September 30, 2018 and 2017, and its cash flows for the nine months ended September 30, 2018 and 2017. The financial data and other information disclosed in the notes to the consolidated financial statements related to the nine months ended September 30, 2018 and 2017 are unaudited.

DropCar Operating

DropCar Operating is a provider of automotive vehicle support, fleet logistics, and concierge services for both consumers and the automotive industry. Its cloud-based Enterprise Vehicle Assistance and Logistics ("VAL") platform and mobile application ("app") assists consumers and automotive-related companies to reduce the costs, hassles and inefficiencies of owning a car, or fleet of cars, in urban centers. In July 2018, DropCar Operating launched its Mobility Cloud platform which provides automotive-related businesses with a 100% self-serve SaaS version of its VAL platform to manage their own operations and drivers, as well as customer relationship management ("CRM") tools that enable their clients to schedule and track their vehicles for service pickup and delivery. DropCar Operating's Mobility Cloud also provides access to private APIs (application programming interface) which automotive-businesses can use to integrate DropCar Operating's logistics and field support directly into their own applications and processes natively, to create more seamless client experiences.

On the enterprise side, OEMs, dealers, and other service providers in the automotive space are increasingly being challenged with consumers who have limited time to bring in their vehicles for maintenance and service, making it difficult to retain valuable post-sale service contracts or scheduled consumer maintenance and service appointments. Additionally, many of the vehicle support centers for automotive providers (i.e., dealerships, including body work and diagnostic shops) have moved out of urban areas thus making it more challenging for OEMs and dealers in urban areas to provide convenient and efficient service for their consumer and business clientele. Similarly, shared mobility providers and other fleet managers, such as rental car companies and car share programs, face a similar urban mobility challenge: getting cars to and from service bays, rebalancing vehicle availability to meet demand in fleeting and de-fleeting vehicles to and from dealer lots, auction sites and to other locations.

While DropCar Operating's business-to-business ("B2B") and business-to-consumer ("B2C") services generate revenue and help meet the unmet demand for vehicle support services, DropCar Operating is also building-out a platform and customer base that it believes positions it well for developments in the automotive space when vehicles become partially to fully autonomous and vehicle ownership becomes more subscription based with transportation services and concierge options well-suited to match a customer's immediate needs.

To date, the Company operates primarily in the New York metropolitan area. In May 2018, the Company expanded operations with its B2B business in San Francisco. In June 2018 the Company expanded its B2B operations in Washington DC. In August 2018, the Company expanded B2B operations to Los Angeles. These three new market expansions are with a major original equipment manufacturer ("OEM") customer.

2. Summary of Significant Accounting Policies

Liquidity and Basis of Presentation

The Company has a limited operating history and the sales and income potential of its business and market are unproven. As of September 30, 2018, the Company has an accumulated deficit of $22.7 million and has experienced net losses each year since its inception. The Company anticipates that it will continue to incur net losses into the foreseeable future and will need to raise additional capital to continue. The Company's cash is sufficient to fund its operations into the first quarter of 2019. These factors raise substantial doubt about the Company's ability to continue as a going concern for the twelve months following the date of the filing of this Form 10-Q.

Management's plan includes raising funds from outside investors, and through the potential sale of the Company's subsidiary, WPCS International Suisan City, Inc. However, there is no assurance that outside funding will be available to the Company, outside funding will be obtained on favorable terms or will provide the Company with sufficient capital to meet its objectives. These financial statements do not include any adjustments relating to the recoverability and classification of assets, carrying amounts or the amount and classification of liabilities that may be required should the Company be unable to continue as a going concern.

The accompanying unaudited consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Form 8-K/A filed with the SEC on April 2, 2018. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information, the instructions for Form 10-Q and the rules and regulations of the SEC. Accordingly, since they are interim statements, the accompanying consolidated financial statements do not include all of the information and notes required by GAAP for annual financial statements, but reflect all adjustments consisting of normal, recurring adjustments, that are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Interim results are not necessarily indicative of the results that may be expected for any future periods. The December 31, 2017 balance sheet information was derived from the audited financial statements as of that date.

Restatement

The Company, while undergoing the audit of its consolidated financial statements for the year ended December 31, 2018, commenced an evaluation of its accounting in connection with the Reverse Merger for (1) lock-up agreements entered into with the holders of the Notes (see Note 5), and (2) shares of common stock issued to Alpha Capital Anstalt and Palladium Capital Advisors (see Note 7, Service Based Common Stock). These agreements, which management originally deemed to be primarily equity in nature and would not be recognized as compensatory, were recorded as a debit and credit to additional paid in capital. On March 29, 2019, under the authority of the board of directors, the Company determined that these agreements should have been recorded as compensatory in nature which gives rise to an adjustment in the amount of $1,119,294 for the period ended September 30, 2018.

The following table sets forth the effects of the adjustments on affected items within the Company's previously reported Consolidated Interim Balance Sheet at September 30, 2018, and includes a reclassification adjustment for the stock split of $809 which increased additional paid in capital:

	September 30, 2018		
	As previously reported	Adjustment	As restated
Additional paid in capital	$ 29,207,669	$ 1,120,103	$ 30,327,772
Accumulated deficit	$ (21,623,262)	$ (1,119,294)	$ (22,742,556)

The following table sets forth the effects of the adjustments on affected items within the Company's previously reported Consolidated Interim Statement of Operations for the nine months ended September 30, 2018:

	Nine Months Ended September 30, 2018				
	As previously reported	Adjustment	As restated	Effect of discontinued operations	As currently reported
Selling, general and administrative expense	$ 10,188,172	$ 447,150	$ 10,635,322	$ (1,691,933)	$ 8,943,389
Depreciation and amortization	$ 479,337	-	$ 479,337	$ (221,897)	$ 257,440
Total operating expenses	$ 10,905,941	$ 447,150	$ 11,353,091	$ (2,152,263)	$ 9,439,260
Operating loss	$ (10,269,388)	$ (447,150)	$ (10,716,538)	$ (381,099)	$ (11,097,637)
Interest income (expense), net	$ (413,076)	$ (672,144)	$ (1,085,220)	$ 3,892	$ (1,081,328)
Loss from continuing operations	$ (10,682,464)	$ (1,119,294)	$ (11,801,758)	$ (377,207)	$ (12,178,965)
Income from discontinued operations	-	-	-	$ 377,207	$ 377,207
Net loss	$ (10,682,464)	$ (1,119,294)	$ (11,801,758)	-	$ (11,801,758)
Net loss per common shares, basic and diluted	$ (9.52)		$ (10.41)		$ (10.41)

The following table sets forth the effects of the adjustments on affected items within the Company's previously reported Consolidated Interim Statement of Cash Flows for the nine months ended September 30, 2018:

	Nine Months Ended September 30, 2018		
	As previously reported	Adjustment	As restated
Net loss	$ (10,682,464)	$ (1,119,294)	$ (11,801,758)
Stock based compensation	$ 1,988,388	$ 447,150	$ 2,435,538
Non-cash interest expense	$ 23,869	$ 672,144	$ 696,013

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The unaudited consolidated financial statements represent the consolidation of the accounts of the Company and its subsidiaries in conformity with GAAP. All intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, codified as ASC 606: Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company adopted ASC 606 effective January 1, 2018 using modified retrospective basis and the cumulative effect was immaterial to the financial statements.

Revenue from contracts with customers is recognized when, or as, the Company satisfies its performance obligations by transferring the promised goods or services to the customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring the Company's progress in satisfying the performance obligation in a manner that depicts the transfer of the goods or services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the Company determines the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for those promised goods or services (i.e., the "transaction price"). In determining the transaction price, the Company considers multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, the Company considers the range of possible outcomes, the predictive value of its past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of the Company's influence, such as the judgment and actions of third parties.

<u>DropCar Operating</u>

DropCar Operating contracts are generally designed to provide cash fees to us on a monthly basis or an agreed upfront rate based upon demand services. The Company's performance obligation is satisfied over time as the service is provided continuously throughout the service period. The Company recognizes revenue evenly over the service period using a time-based measure because the Company is providing a continuous service to the customer. Contracts with minimum performance guarantees or price concessions include variable consideration and are subject to the revenue constraint. The Company uses an expected value method to estimate variable consideration for minimum performance guarantees and price concessions. The Company has constrained revenue for expected price concessions during the period ended September 30, 2018.

Monthly Subscriptions

DropCar Operating offers a selection of subscriptions and on-demand services which include parking, valet, and access to other services. The contract terms are on a month-to-month subscription contract with fixed monthly or contract term fees. These subscription services include a fixed number of round-trip deliveries of the customer's vehicle to a designated location. The Company allocates the purchase price among the performance obligations which results in deferring revenue until the service is utilized or the service period has expired. In July 2018, DropCar Operating began assessing demand for a Self-Park Spaces monthly parking plan whereby consumers could designate specific garages for their vehicles to be stored at a base monthly rate, with personal 24/7 access for picking up and returning their vehicle directly, and the option to pay a la carte on a per hour basis for a driver to perform functions such as picking up and returning their vehicle to their front door. This model aligns more directly with how the Company has structured the enterprise B2B side of its business, where an interaction with a vehicle on behalf of its drivers typically generates net new revenue. The DropCar Operating consumer Self-Park Spaces plan combined with its on-demand hourly valet service are the only consumer plans offered from September 1, 2018 onwards. Subscriber plans prior to this date continued to receive service on a prorated basis through the end of August 2018. Additionally, the Company is scaling back its 360 Services for the Consumer portion of the market. As a result of this shift, in August 2018, the Company began to significantly streamline its field teams, operations and back office support tied to its pre-September 1, 2018 consumer subscription plans.

On Demand Valet and Parking Services

DropCar Operating offers to consumers certain on demand services through its mobile application. The customer is billed at an hourly rate upon completion of the services. Revenue is recognized when the Company had satisfied all performance obligations which is upon completion of the service.

DropCar 360 Services

DropCar Operating offers to consumers certain services upon request including vehicle inspection, maintenance, car washes or to fill up with gas. The customers are charged a fee in addition to the cost of the third-party services provided. Revenue is recognized when the Company had satisfied all performance obligations which is upon completion of the service.

On Demand Business-To-Business

DropCar Operating also has contracts with car dealerships, car share programs and others in the automotive industry transporting vehicles. Revenue is recognized at the point in time all performance obligations are satisfied which is when the Company provide the delivery service of the vehicles.

Disaggregated Revenues

The following table presents our revenues from contracts with customers disaggregated by revenue source.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
DropCar Operating Subscription Services	$ 1,118,544	$ 1,061,865	$ 3,758,099	$ 2,165,793
DropCar Operating Services On-Demand	270,590	207,691	1,197,107	631,616
DropCar Operating Revenue (1)(2)	$ 1,389,134	$ 1,269,556	$ 4,955,206	$ 2,797,409

(1) Represents revenues recognized by type of services.
(2) All revenues are generated in the United States.

The following presents our revenues from B2C and B2B customers.

- For the three months ended September 30, 2018 and 2017, the DropCar Operating B2C revenue was $1,164,093 and $1,170,859, respectively
- For the three months ended September 30, 2018 and 2017, the DropCar Operating B2B revenue was $225,041 and $98,697, respectively
- For the nine months ended September 30, 2018 and 2017, the DropCar Operating B2C revenue was $4,244,682 and $2,492,362, respectively
- For the nine months ended September 30, 2018 and 2017, the DropCar Operating B2B revenue was $710,524 and $305,047, respectively

Employee Stock-Based Compensation

The Company recognizes all employee share-based compensation as a cost in the financial statements. Equity-classified awards principally related to stock options, restricted stock units ("RSUs") and equity-based compensation, are measured at the grant date fair value of the award. The Company determines grant date fair value of stock option awards using the Black-Scholes option-pricing model. The fair value of RSUs are determined using the closing price of the Company's common stock on the grant date. For service-based vesting grants, expense is recognized ratably over the requisite service period based on the number of options or shares expected to ultimately vest. Stock-based compensation is reversed for forfeitures in the period of forfeiture.

The Company has one equity incentive plan, the 2014 Equity Incentive Plan (the "Plan"). As of September 30, 2018, there were 38,875 shares reserved for future issuance under the Plan.

On September 26, 2018 the Company's Board of Directors resolved to increase the options under this plan. The resolution is subject to approval from the stockholders on the adoption of an amendment to the WPCS International Incorporated Amended and Restated 2014 Equity Incentive Plan at the annual meeting on November 15, 2018. If this proposal is approved, the number of shares authorized for issuance of awards under the Plan will be increased from 2,527,272 to an aggregate of 4,239,772 shares of common stock. In connection with this amendment, the Company is changing the name of the Plan to the "DropCar, Inc. Amended and Restated 2014 Equity Incentive Plan" to reflect the name change.

Property and Equipment

The Company accounts for property and equipment at cost less accumulated depreciation. The Company computes depreciation using the straight-line method over the estimated useful lives of the assets. The Company generally depreciates property and equipment over a period of three to seven years. Depreciation for property and equipment commences once they are ready for its intended use.

Capitalized Software

Costs related to website and internal-use software development are accounted for in accordance with Accounting Standards Codification ("ASC") Topic 350-50 — Intangibles — Website Development Costs. Such software is primarily related to our websites and mobile apps, including support systems. We begin to capitalize our costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, it is probable that the project will be completed, and the software will be used as intended. Costs incurred prior to meeting these criteria are expensed as incurred and recorded within General and administrative expenses within the accompanying statements of operations. Costs incurred for enhancements that are expected to result in additional features or functionality are capitalized. Capitalized costs are amortized over the estimated useful life of the enhancements, generally between two and three years.

Impairment of Long-Lived Assets

Long-lived assets are primarily comprised of intangible assets, property and equipment, and capitalized software costs. The Company evaluates its Long-Lived Assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset or group of assets may not be recoverable. If these circumstances exist, recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future undiscounted net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no impairments to long-lived assets for the periods ended September 30, 2018 and 2017.

Income Taxes

The Company provides for income taxes using the asset and liability approach. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As of September 30, 2018, and December 31, 2017, the Company had a full valuation allowance against deferred tax assets.

The Tax Cuts and Jobs Act (the "Tax Act"), enacted on December 22, 2017, among other things, permanently lowered the statutory federal corporate tax rate from 35% to 21%, effective for tax years including or beginning January 1, 2018. Under the guidance of ASC 740, "Income Taxes" ("ASC 740"), the Company revalued its net deferred tax assets on the date of enactment based on the reduction in the overall future tax benefit expected to be realized at the lower tax rate implemented by the new legislation. Although in the normal course of business the Company is required to make estimates and assumptions for certain tax items which cannot be fully determined at period end, the Company did not identify items for which the income tax effects of the Tax Act have not been completed as of September 30, 2018 and, therefore, considers its accounting for the tax effects of the Tax Act on its deferred tax assets and liabilities to be complete as of September 30, 2018.

Fair Value Measurements

The Company accounts for financial instruments in accordance with ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

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

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

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

Financial instruments with carrying values approximating fair value include cash, accounts receivable, accounts payable and accrued expenses, deferred income, and accrued interest, due to their short-term nature.

Loss Per Share

Basic loss per share is computed by dividing net loss attributable to common shareholders (the numerator) by the weighted-average number of common shares outstanding (the denominator) for the period. Diluted loss per share are computed by assuming that any dilutive convertible securities outstanding were converted, with related preferred stock dividend requirements and outstanding common shares adjusted accordingly. It also assumes that outstanding common shares were increased by shares issuable upon exercise of those stock options for which market price exceeds the exercise price, less shares which could have been purchased by us with the related proceeds. In periods of losses, diluted loss per share is computed on the same basis as basic loss per share as the inclusion of any other potential shares outstanding would be anti-dilutive.

The following securities were excluded from weighted average diluted common shares outstanding because their inclusion would have been antidilutive.

	As of September 30,	
	2018	2017
Common stock equivalents:		
Common stock options	156,880	-
Series A, H-1, H-3, H-4, I, J and Merger common stock purchase warrants	585,307	-
Series H, H-3, and H-4 Convertible Preferred Stock	2,739,225	-
Restricted shares (unvested)	244,643	-
Convertible notes	-	91,569
Series seed preferred stock	-	275,691
Series A preferred stock	-	611,944
Totals	3,726,055	979,204

Adoption of New Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. Under the new standard, revenue is recognized at the time a good or service is transferred to a customer for the amount of consideration for which the entity expects to be entitled for that specific good or service. Entities may use a full retrospective approach or on a prospective basis and report the cumulative effect as of the date of adoption. The Company adopted the new standard on January 1, 2018 using prospective basis and the cumulative effect was immaterial to the financial statements. The new standard also requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features. These amendments simplify the accounting for certain financial instruments with down round features. The amendments require companies to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for purposes of determining liability or equity classification. The adoption of this standard on January 1, 2018 did not have a material effect on the Company's financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The new guidance dictates that, when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, it should be treated as an acquisition or disposal of an asset. The guidance was adopted as of January 1, 2018 and did not have a material effect on the Company's financial statements.

Recently Issued Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its consolidated financial position or results of operations upon adoption.

In February 2016, the FASB established Topic 842, as amended, Leases, by Issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessor to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The new standard is effective for us on January 1, 2019 with early adoption permitted. We expect to adopt the new standard on its effective date. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. We expect that this standard will have a material effect on our financial statements. While we continue to assess all of the effects of adoption, we currently believe the most significant effects relate to (1) the recognition of new ROU assets and lease liabilities on our balance sheet for our office and equipment operating leases and providing significant new disclosures about our leasing activities.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04 (ASU 2017-04), Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 eliminates step two of the goodwill impairment test and specifies that goodwill impairment should be measured by comparing the fair value of a reporting unit with its carrying amount. Additionally, the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets should be disclosed. ASU 2017-04 is effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019; early adoption is permitted. The Company currently anticipates that the adoption of ASU 2017-04 will not have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Changes to Disclosure Requirements for Fair Value Measurements, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently evaluating the impact this standard will have on the Company's consolidated financial statements.

3. Discontinued Operations and Disposition of Operating Segment

On December 24, 2018, the Company completed the sale of WPCS International – Suisun City, Inc., a California corporation, its wholly-owned subsidiary, pursuant to the terms of a stock purchase agreement, dated December 10, 2018 by and between the Company and World Professional Cabling Systems, LLC, a California limited liability company. Upon the closing of the sale, the Purchaser acquired all of the issued and outstanding shares of common stock, no par value per share, of Suisun City Operations, for an aggregate purchase price of $3,500,000.

The operations and cash flows of the Suisun City Operations are presented as discontinued operations. The operating results of the Suisun City Operations for the three and nine months ended September 30, 2018 were as follows:

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Revenues	$ 3,222,928	$ 10,871,777
Cost of revenues	2,649,168	8,576,847
Gross profit	573,760	2,294,930
Selling, general and administrative expenses	575,248	1,691,934
Depreciation and amortization	78,954	221,897
Total Operating Expenses	654,202	1,913,831
Operating (loss) income	(80,442)	381,099
Interest expense, net	(3,294)	(3,892)
Net (loss) income from discontinued operations	$ (83,736)	$ 377,207

4. Capitalized Software

Capitalized software consists of the following as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Software	$ 1,244,991	$ 904,383
Accumulated amortization	(565,687)	(314,799)
Total	$ 679,304	$ 589,584

Amortization expense charged to capitalized software for the three months ended September 30, 2018 and 2017, was $91,312 and $45,340, respectively. Amortization expense for the nine months ended September 30, 2018 and 2017 was $250,888 and $136,020, respectively.

5. Convertible Notes Payable

During the year ended December 31, 2017, the Company issued convertible notes totaling $4,840,000 and warrants to acquire 146,358 shares of common stock at an exercise price of $59.04 per share in connection with the convertible notes (the "Notes"). The Notes all had a maturity date of one year from the date of issuance, and accrued interest at a rate of 6% per annum, compounded annually. The Notes were convertible at $35.40 per share and, including accrued interest, were converted into 136,785 shares of common stock in connection with the Reverse Merger. At September 30, 2018 and December 31, 2017, the aggregate carrying value of the Notes was $0 and $3,506,502, respectively.

In connection with the Reverse Merger, the holders of the Notes entered into lock-up agreements pursuant to which they agreed not to sell the 85,573 shares of common stock received in the Reverse Merger. The length of the lock-up period was up to 120 days. For the nine months ended September 30, 2018, the Company recorded $672,144 as interest expense in relation to the lock-up agreements in the accompanying consolidated statement of operations.

6. Commitments & Contingencies

Lease Agreements

The Company has short term leases for office space in New York City that expires on November 30, 2018.

For the three months ended September 30, 2018 and 2017, rent expense for the Company’s facilities was $48,000 and $15,000, respectively. For the nine months ended September 30, 2018 and 2017, rent expense for the Company’s facilities was $122,000 and $33,000, respectively.

Litigation

The Company’s DropCar Operating segment is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business that it believes are incidental to the operation of its business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on its results of operations, financial positions or cash flows.

In February 2018, DropCar was served an Amended Summons and Complaint in the Supreme Court of the City of New York, Bronx county originally served solely on an individual, a former DropCar customer, for injuries sustained by plaintiffs alleging such injuries were caused by either the customer, a DropCar valet operating the customer’s vehicle or an unknown driver operating customer’s vehicle. DropCar to date has cooperated with the NYC Police Department and no charges have been brought against any employee of DropCar. DropCar has referred the matter to its insurance carrier.

On February 9, 2016, a DropCar employee was transporting a customer’s vehicle when the vehicle caught fire. On November 22, 2016, an insurance company (as subrogee of the vehicle’s owner) filed for indemnification and subrogation against the Company in the Supreme Court of the State of New York County of New York. Management believes that it is not responsible for the damage caused by the vehicle fire and that the fire was not due to any negligence on the part of the DropCar and that the resolution will not have a material outcome.

Other

As of December 31, 2017, the Company had accrued approximately $96,000 for the potential settlement of multiple employment disputes. During the nine months ended September 30, 2018, approximately $44,000 of this amount was settled upon payment. An additional $117,000 was expensed and accrued for potential settlements during the nine months ended September 30, 2018. As of September 30, 2018, approximately $169,000 remains accrued for the potential settlement of employment disputes. As of September 30, 2018, the Company has entered into multiple settlement agreements with former employees for which it has agreed to make monthly settlement payments which will extend through the year ended December 31, 2019.

On March 23, 2018, DropCar was made aware of an audit being conducted by the New York State Department of Labor (“DOL”) regarding a claim filed by an employee. The DOL is investigating whether DropCar properly paid overtime for which DropCar has raised several defenses. In addition, the DOL is conducting its audit to determine whether the Company owes spread of hours pay (an hour’s pay for each day an employee worked or was scheduled for a period over ten hours in a day). If the DOL determines that monies are owed, the DOL will seek a backpay order, which management believes will not, either individually or in the aggregate, have a material adverse effect on DropCar’s business, consolidated financial position, results of operations or cash flows. As of September 30, 2018, the Company has accrued approximately $60,000 in relation to this matter.

7. Stockholders’ Equity

Common Stock

On January 18, 2018, the Company sold 10,057 shares of common stock for proceeds of $300,000.

On January 30, 2018, the Company converted $3,682,502, the net carrying value of the principal balance of $4,840,000 convertible notes payable, into 136,785 shares of common stock just prior to the Reverse Merger.

During the nine months ended September 30, 2018, the Company converted $159,584 of accrued interest related to the convertible notes into 4,518 shares of common stock.

During the nine months ended September 30, 2018, the Company granted 3,333 shares of common stock to a service provider and recorded $31,800 as general and administrative expense in the Company’s consolidated statements of operations.

On September 4, 2018, the Company issued 260,116 shares of common stock from the exercise of Series H-4 Warrants.

Preferred Stock

Series Seed

On January 30, 2018, the Company converted 275,691 shares of Series Seed Preferred Stock into common stock in connection with the Reverse Merger.

Series A

On January 30, 2018, the Company converted 611,944 shares of Series A Preferred Stock into common stock in connection with the Reverse Merger.

Series H Convertible

On January 30, 2018, in accordance with the Merger the Company issued 8 shares of Series H Convertible Preferred Stock.

Series H-1 and H-2 Convertible

The Company has designated 9,488 Series H-1 Preferred Stock and designated 3,500 Series H-2 Preferred Stock, none of which are outstanding.

Series H-3 Convertible

On January 30, 2018, in accordance with the Merger the Company issued 2,189 shares of Series H-3 Convertible Preferred Stock.

Series H-4 Convertible

On March 8, 2018, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with investors pursuant to which the Company issued to the Investors an aggregate of 25,472 shares of the Company's newly designated Series H-4 Convertible Preferred Stock, par value $0.0001 per share (the "Series H-4 Shares") convertible into 424,533 shares of common stock of the Company, and warrants to purchase 424,533 shares of common stock of the Company, with an exercise price of $15.60 per share, subject to adjustments (the "Warrants"). The purchase price per Series H-4 Share and warrant was $235.50, equal to (i) the closing price of the Common Stock on the Nasdaq Capital Market on March 7, 2018, plus $0.125 multiplied by (ii) 100. The aggregate purchase price for the Series H-4 Shares and Warrants was approximately $6.0 million. Subject to certain ownership limitations, the Warrants are immediately exercisable from the issuance date and are exercisable for a period of five years from the issuance date.

On March 8, 2018, the Company filed the Certificate of Designations, Preferences and Rights of the Series H-4 Convertible Preferred Stock (the "Certificate of Designation") with the Secretary of State of the State of Delaware, establishing and designating the rights, powers and preferences of the Series H-4 Convertible Preferred Stock (the "Series H-4 Stock"). The Company designated up to 30,000 shares of Series H-4 Stock and each share has a stated value of $235.50 (the "Stated Value"). Each share of Series H-4 Stock is convertible at any time at the option of the holder thereof, into a number of shares of Common Stock determined by dividing the Stated Value by the initial conversion price of $14.15 per share, subject to a 9.99% blocker provision. The Series H-4 Stock has the same dividend rights as the Common Stock, and no voting rights except as provided for in the Certificate of Designation or as otherwise required by law. In the event of any liquidation or dissolution of the Company, the Series H-4 Stock ranks senior to the Common Stock in the distribution of assets, to the extent legally available for distribution.

On September 5, 2018, the Company received a request from The Nasdaq Stock Market ("Nasdaq") to amend the Certificate of Designation to provide that the Series H-4 Shares may not be converted into shares of Common Stock until the Company has obtained stockholder approval of the issuance of the Common Stock underlying the Series H-4 Shares pursuant to the applicable rules and regulations of Nasdaq. In response to the request, on September 10, 2018, the Company filed a Certificate of Amendment (the "COD Amendment") to the Certificate of Designation to provide for stockholder approval as described above prior to the conversion of the Series H-4 Shares.

Stock Based Compensation

Service Based Restricted Stock Units

On February 28, 2018, the Company issued 244,643 restricted stock units ("RSUs") to two members of management. The RSUs vest on the one-year anniversary from the grant date. The RSUs were valued using the fair market value of the Company's closing stock price on the date of grant totaling $3,243,966 which is being amortized over the vesting period.

At September 30, 2018, unamortized stock compensation for the RSUs was $1,341,934, which will be recognized over the next five months.

Service Based Warrants

On March 8, 2018, in connection with the financing discussed above, the Company issued 1,371 Series H-4 Shares and 22,850 common stock warrants to a service provider. The Company valued these warrants using the Black-Scholes option pricing model with the following inputs: exercise price of $15.60; fair market value of underlying stock of $13.20; expected term of 5 years; risk free rate of 2.63%; volatility of 120.63%; and dividend yield of 0%. For the nine months ended September 30, 2018, the Company recorded the fair market value of the Series H-4 Shares and warrants as an increase and decrease to additional paid in capital in the amount of $568,648 as these services were provided in connection with the sale of the Series H-4 shares.

Employee and Non-employee Stock Options

The following table summarizes stock option activity during the nine months ended September 30, 2018:

	Shares Underlying Options	Weighted Average Exercise Price	Weighted average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	-	$ -	-	-
Acquired in Reverse Merger	133,711	36.42	4.13	-
Granted	68,347	12.24	9.51	-
Forfeited	(45,178)	11.64	-	-
Outstanding at September 30, 2018	156,880	$ 33.00	4.91	-

At September 30, 2018, unamortized stock compensation for stock options was approximately $225,000, with a weighted-average recognition period of 2.5 years.

Share Based Compensation

The following table sets forth total non-cash stock-based compensation for RSUs and options issued to employees and non-employees by operating statement classification for the three and nine months ended September 30, 2018 and 2017:

	Three Months ended September 30,		Nine Months ended September 30,	
	2018	2017	2018	2017
Research and development	2,127	-	8,837	-
General and administrative	785,609	288,308	1,979,551	709,000
Total	$ 787,736	$ 288,308	$ 1,988,388	$ 709,000

Service Based Common Stock

On January 30, 2018 the Company issued 213,707 and 35,558 and shares of common stock to Alpha Capital Anstalt and Palladium Capital Advisors, respectively, in connection with the Reverse Merger. For the Alpha Capital Anstalt issuance, the Company recorded 90% of the issuance, or 192,336 common shares, as cost of capital raise and 10% of the issuance, or 21,371 common shares, as advisory services. The Reverse Merger costs in the amount of $1,510,722 were recorded as a reduction to additional paid in capital and the advisory service costs in the amount of $167,858 were recorded as general and administrative expense in the consolidated statement of operations. For the Palladium Capital Advisors issuance, the Company recorded $279,292 as general and administrative expense in the consolidated statement of operations.

Stock option pricing model

The fair value of the stock options granted during the nine months ended September 30, 2018, was estimated at the date of grant using the Black-Scholes options pricing model with the following assumptions:

Fair value of common stock	$10.92 - $13.26
Expected volatility	118.10% - 143.50%
Dividend yield	$0
Risk-free interest	2.85% - 3.00%
Expected life (years)	5.125 - 5.33

Warrants

Warrant Exchange

On April 19, 2018, the Company entered into separate Warrant Exchange Agreements (the "Exchange Agreements") with the holders (the "Merger Warrant Holders") of existing warrants issued in the Reverse Merger (the "Merger Warrants") to purchase shares of Common Stock, pursuant to which, on the closing date, the Merger Warrant Holders exchanged each Merger Warrant for 1/18 of a share of Common Stock and 1/12 of a warrant to purchase a share of Common Stock (collectively, the "Series I Warrants"). The Series I Warrants have an exercise price of $13.80 per share. In connection with the Exchange Agreements, the Company issued an aggregate of (i) 48,786 new shares of common stock and (ii) Series I Warrants to purchase an aggregate of 73,178 shares of common stock. The Company valued the (a) stock and warrants issued in the amount of $972,368, (b) the warrants retired in the amount of $655,507, and (c) recorded the difference as deemed dividend in the amount of $316,861. The warrants were valued using the Black-Scholes option-pricing model on the date of the exchange using the following assumptions: (a) fair value of common stock $10.32, (b) expected volatility of 103% and 110%, (c) dividend yield of $0, (d) risk-free interest rate of 2.76% and 2.94%, (e) expected life of 3 years and 4.13 years.

Exercise of Series H-4 Warrants and Issuance of Series J Warrants

On August 31, 2018, the Company offered (the "Repricing Offer Letter") to the holders (the "Holders") of the Company's outstanding Series H-4 Warrants to purchase common stock of the Company issued on March 8, 2018 (the "Series H-4 Warrants") the opportunity to exercise such Series H-4 Warrants for cash at a reduced exercise price of $3.60 per share (the "Reduced Exercise Price") provided such Series H-4 Warrants were exercised for cash on or before September 4, 2018 (the "End Date"). In addition, the Company issued a "reload" warrant (the "Series J Warrants") to each Holder who exercised their Series H-4 Warrants prior to the End Date, covering one share for each Series H-4 Warrant exercised during that period. The terms of the Series J Warrants are substantially identical to the terms of the Series H-4 Warrants except that (i) the exercise price is equal to $6.00, (ii) the Series J Warrants may be exercised at all times beginning on the 6-month anniversary of the issuance date on a cash basis and also on a cashless basis, (iii) the Series J Warrants do not contain any provisions for anti-dilution adjustment and (iv) the Company has the right to require the Holders to exercise all or any portion of the Series J Warrants still unexercised for a cash exercise if the VWAP (as defined in the Series J Warrant) for the Company's common stock equals or exceeds $9.00 for not less than ten consecutive trading days.

On September 4, 2018, the Company received executed Repricing Offer Letters from a majority of the Holders, which resulted in the issuance of 260,116 shares of the Company's common stock and Series J Warrants to purchase up to 260,116 shares of the Company's common stock. The Company received gross proceeds of approximately $936,000 from the exercise of the Series H-4 Warrants pursuant to the terms of the Repricing Offer Letter.

On September 5, 2018, the Company received a request from Nasdaq to amend our Series H-4 Warrants to provide that the Series H-4 Warrants may not be exercised until the Company has obtained stockholder approval of the issuance of Common Stock underlying the Series H-4 Warrants pursuant to the applicable rules and regulations of Nasdaq. In response to the request, on September 10, 2018, the Company entered into an amendment (the "Warrant Amendment") with the holders of the Series H-4 Stock to provide for stockholder approval as described above prior to the exercise of the Series H-4 Warrants.

The Company considers the warrant amendment for the Reduced Exercise Price and issuance of the Series J Warrants to be of an equity nature as the amendment and issuance allowed the warrant holders to exercise warrants and receive a share of Common Stock and warrant which, represents an equity for equity exchange. Therefore, the change in the fair value before and after the modification and the fair value of the Series J warrants will be treated as a deemed dividend in the amount of $1,019,040. The cash received upon exercise in excess of par is accounted through additional paid in capital.

The Company valued the deemed dividend as the sum of: (a) the difference between the fair value of the modified award and the fair value of the original award at the time of modification of $129,476, and (b) the fair value of the Series J Warrants in the amount of $889,564. The warrants were valued using the Black-Scholes option-pricing model on the date of the modification and issuance using the following assumptions: (a) fair value of common stock $3.90, (b) expected volatility of 144.3%, (c) dividend yield of $0, (d) risk-free interest rate of 2.77% and 2.78%, (e) expected life of 4.51 years and 5 years.

At the March 8, 2018 closing, the Company issued Series H-4 Warrants that entitled the holders to purchase, in aggregate, up to 447,383 shares of its common stock. As referenced above, on September 4, 2018, the Company received executed Repricing Offer Letters from a majority of the investors resulting in the exercise of Series H-4 Warrants to purchase 260,1161,560,696 shares of common stock. The Series H-4 Warrants were initially exercisable at an exercise price equal to $15.60 per share, which is now subject to adjustment at a reduced exercise price of $3.60 per share pending stockholder approval as proposed in the Company's Notice of 2018 Annual Meeting of Stockholders. If this proposal is approved by the stockholders, the exercise price of the remaining Series H-4 Warrants will be reduced to $3.60 per share which will entitle the holders of the remaining Series H-4 Warrants to purchase, in aggregate, up to 187,117 additional shares of common stock.

A summary of the Company's warrants to purchase common stock activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2017	146,358	$ 59.04
Acquired, H-1 warrants	50,744	29.04
Acquired, H-3 warrants	14,001	33.12
Granted, H-4 warrants	447,383	3.60
Granted, I warrants	73,178	13.80
Granted, J warrants	260,116	6.00
Exercised, H-4 warrants	(260,116)	3.60
Retired, Merger warrants	(146,357)	59.04
Outstanding, September 30, 2018	585,307	$ 12.72

The warrants expire through the years 2020-2024.

8. Related Party

On July 11, 2018, the Company entered into a consulting agreement (the "Consulting Agreement") with Ascentaur, LLC ("Ascentaur"). Sebastian Giordano is the Chief Executive Officer of Ascentaur. Mr. Giordano has served on the board of directors of the Company since February 2013 and served as the Company's Interim Chief Executive Officer from August 2013 through April 2016 and as the Company's Chief Executive Officer from April 2016 through January 2018.

Pursuant to the terms of the Consulting Agreement, Ascentaur has agreed to provide advisory services with respect to the strategic development and growth of the Company, including advising the Company on market strategy and overall Company strategy, advising the Company on the sale of the Company's WPCS International business segment, providing assistance to the Company in identifying and recruiting prospective employees, customers, business partners, investors and advisors that offer desirable administrative, financing, investment, technical, marketing and/or strategic expertise, and performing such other services pertaining to the Company's business as the Company and Ascentaur may from time to time mutually agree. The term of the Consulting Agreement commenced on July 11, 2018 and will continue until April 9, 2019 or until terminated in accordance with the terms of the Consulting Agreement.

The amount recorded for the three months and nine months ended September 30, 2018, was $30 thousand before related reimbursement expense of $838. Of this amount, $18 thousand was disbursed, and the balance of approximately $13 thousand remains in accounts payable at September 30, 2018.

9. Subsequent Events

On November 14, 2018, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with an existing investor, pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "Offering"), Pre-Funded Series K Warrants (the "Pre-Funded Series K Warrants") to purchase 277,778 shares of common stock (and the shares of Common Stock issuable upon exercise of the Pre-Funded Series K Warrants (the "Warrant Shares")), in lieu of shares of common stock because the purchase of common stock would have caused the beneficial ownership of the Purchaser, together with its affiliates and certain related parties, to exceed 9.99% of the Company's outstanding common stock. The price to the Purchaser for each Pre-Funded Series K Warrant was $3.54 and the Pre-Funded Series K Warrants are immediately exercisable at a price of $0.06 per share of common stock. The Company received approximately $0.983 million in gross proceeds from the Offering before the deduction of fees and offering expenses. The Pre-Funded Series K Warrants and the Warrant Shares are being offered by the Company pursuant to a registration statement on Form S-3 (File No. 333-227858), which was initially filed with the Securities and Exchange Commission (the "Commission") on October 16, 2018 and was declared effective by the Commission on November 9, 2018 (the "Registration Statement").

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following management's discussion and analysis should be read in conjunction with our historical financial statements and the related notes thereto. This management's discussion and analysis contains forward-looking statements, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect" and the like, and/or future tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including those under "Risk Factors" in our filings with the Securities and Exchange Commission that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors.

Recent Developments

Sale of Suisun City Operations

On December 24, 2018, we completed the sale of WPCS International – Suisun City, Inc., a California corporation, our wholly-owned subsidiary, pursuant to the terms of a stock purchase agreement, dated December 10, 2018 by and between us and World Professional Cabling Systems, LLC, a California limited liability company. Upon the closing of the sale, the Purchaser acquired all of the issued and outstanding shares of common stock, no par value per share, of Suisun City Operations, for an aggregate purchase price of $3,500,000.

The operations and cash flows of the Suisun City Operations are presented as discontinued operations. The operating results of the Suisun City Operations for the three and nine months ended September 30, 2018 were as follows:

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Revenues	$ 3,222,928	$ 10,871,777
Cost of revenues	2,649,168	8,576,847
Gross profit	573,760	2,294,930
Selling, general and administrative expenses	575,248	1,691,934
Depreciation and amortization	78,954	221,897
Total Operating Expenses	654,202	1,913,831
Operating (loss) income	(80,442)	381,099
Interest expense, net	(3,294)	(3,892)
Net (loss) income from discontinued operations	$ (83,736)	$ 377,207

Consumer Services Product Offering Change

In July 2018, DropCar Operating began assessing demand for a Self-Park Spaces monthly parking plan whereby consumers could designate specific garages for their vehicles to be stored at a base monthly rate, with personal 24/7 access for picking up and returning their vehicle directly, and the option to pay a la carte on a per hour basis for a driver to perform functions such as picking up and returning their vehicle to their front door. This model aligns more directly with how the Company has structured the enterprise B2B side of its business, where an interaction with a vehicle on behalf of its drivers typically generates net new revenue. The DropCar Operating consumer Self-Park Spaces plan combined with its on-demand hourly valet service are the only consumer plans offered from September 1, 2018 onwards. Subscriber plans prior to this date continued to receive service on a prorated basis through the end of August 2018. Additionally, the Company is scaling back its 360 Services for the Consumer portion of the market. As a result of this shift, in August 2018, the Company began to significantly streamline its field teams, operations and back office support tied to its pre-September 1, 2018 consumer subscription plans.

Warrant Repricing

On August 31, 2018, the Company offered (the "Repricing Offer Letter") to the holders (the "Holders") of the Company's outstanding Series H-4 Warrants to purchase common stock of the Company issued on March 8, 2018 (the "Series H-4 Warrants") the opportunity to exercise such Series H-4 Warrants for cash at a reduced exercise price of $0.60 per share (the "Reduced Exercise Price") provided such Series H-4 Warrants were exercised for cash on or before September 4, 2018 (the "End Date"). In addition, the Company issued a "reload" warrant (the "Series J Warrants") to each Holder who exercised their Series H-4 Warrants prior to the End Date, covering one share for each Series H-4 Warrant exercised during that period. The terms of the Series J Warrants are substantially identical to the terms of the Series H-4 Warrants except that (i) the exercise price is equal to $1.00, (ii) the Series J Warrants may be exercised at all times beginning on the 6-month anniversary of the issuance date on a cash basis and also on a cashless basis, (iii) the Series J Warrants do not contain any provisions for anti-dilution adjustment and (iv) the Company has the right to require the Holders to exercise all or any portion of the Series J Warrants still unexercised for a cash exercise if the VWAP (as defined in the Series J Warrant) for the Company's common stock equals or exceeds $1.50 for not less than ten consecutive trading days.

On September 4, 2018, the Company received executed Repricing Offer Letters from a majority of the Holders, which resulted in the issuance of 260,116 shares of the Company's common stock and Series J Warrants to purchase up to 260,116 shares of the Company's common stock. The Company received gross proceeds of approximately $936,000 from the exercise of the Series H-4 Warrants pursuant to the terms of the Repricing Offer Letter.

On September 5, 2018, the Company received a request from Nasdaq to amend our Series H-4 Warrants to provide that the Series H-4 Warrants may not be exercised until the Company has obtained stockholder approval of the issuance of Common Stock underlying the Series H-4 Warrants pursuant to the applicable rules and regulations of Nasdaq. In response to the request, on September 10, 2018, the Company entered into an amendment (the "Warrant Amendment") with the holders of the Series H-4 Stock to provide for stockholder approval as described above prior to the exercise of the Series H-4 Warrants.

Consulting Agreement, Related Party

On July 11, 2018, the Company entered into a consulting agreement (the "Consulting Agreement") with Ascentaur, LLC ("Ascentaur"). Sebastian Giordano is the Chief Executive Officer of Ascentaur, LLC. Mr. Giordano has served on the board of directors of WPCS since February 2013 and served as WPCS's Interim Chief Executive Officer from August 2013 through April 2016 and as WPCS's Chief Executive Officer from April 2016 through January 2018.

Pursuant to the terms of the Consulting Agreement, Ascentaur has agreed to provide advisory services with respect to the strategic development and growth of the Company, including advising the Company on market strategy and overall Company strategy, advising the Company on the sale of the Company's WPCS International business segment, providing assistance to the Company in identifying and recruiting prospective employees, customers, business partners, investors and advisors that offer desirable administrative, financing, investment, technical, marketing and/or strategic expertise, and performing such other services pertaining to the Company's business as the Company and Ascentaur may from time to time mutually agree. As consideration for its services under the Consulting Agreement, Ascentaur shall be entitled to receive (i) a fee of $10,000 per month for a period of nine months from the effective date of the Consulting Agreement, (ii) a lump sum fee of $90,000 upon the closing of the sale of the Company's WPCS International business segment and (iii) reimbursement for reasonable and customary business expenses incurred in connection with Ascentaur's performance under the Consulting Agreement. The term of the Consulting Agreement commenced on July 11, 2018 and will continue until April 9, 2019 or until terminated in accordance with the terms of the Consulting Agreement.

Change in Bylaws

Effective July 26, 2018, the Board of Directors (the "Board") of the "Company amended and restated the Company's Amended and Restated Bylaws (the "Bylaws") by amending Section 4.06. As amended, Section 4.06 provides that the Chairman of the Board need not be an officer of the Company.

Reverse Merger and Exchange Ratio

On January 30, 2018, DC Acquisition Corporation ("Merger Sub"), a wholly-owned subsidiary of WPCS International Incorporated ("WPCS"), completed its merger with and into DropCar, Inc. ("Private DropCar"), with Private DropCar surviving as a wholly owned subsidiary of WPCS. This transaction is referred to as the "Reverse Merger." The Reverse Merger was effected pursuant to an Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), dated September 6, 2017, by and among WPCS, Private DropCar and Merger Sub.

As a result of the Reverse Merger, each outstanding share of Private DropCar share capital (including shares of Private DropCar share capital to be issued upon the conversion of outstanding convertible debt) automatically converted into the right to receive approximately 0.3273 shares of WPCS's common stock, par value $0.0001 per share (the "Exchange Ratio"). Following the closing of the Reverse Merger, holders of WPCS's common stock immediately prior to the Reverse Merger owned approximately 22.9% on a fully diluted basis, and holders of Private DropCar common stock immediately prior to the Reverse Merger owned approximately 77.1% on a fully diluted basis, of WPCS's common stock.

The Reverse Merger has been accounted for as a reverse acquisition under the acquisition method of accounting where Private DropCar is considered the accounting acquirer and WPCS is the acquired company for financial reporting purposes. Private DropCar was determined to be the accounting acquirer based on the terms of the Merger Agreement and other factors, such as relative voting rights and the composition of the combined company's board of directors and senior management, which was deemed to have control. The pre-acquisition financial statements of Private DropCar became the historical financial statements of WPCS following the Reverse Merger. The historical financial statement, outstanding shares and all other historical share information have been adjusted by multiplying the respective share amount by the Exchange Ratio as if the Exchange Ratio had been in effect for all periods presented.

Immediately following the Reverse Merger, the combined company changed its name from WPCS International Incorporation to DropCar, Inc. The combined company following the Reverse Merger may be referred to herein as "the combined company," "DropCar," or the "Company."

The Company's shares of common stock listed on The Nasdaq Capital Market, previously trading through the close of business on January 30, 2018 under the ticker symbol "WPCS," commenced trading on The Nasdaq Capital Market, on a post-Reverse Stock Split adjusted basis, under the ticker symbol "DCAR" on January 31, 2018.

Private Placement

On March 8, 2018, we entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with institutional and accredited investors (collectively, the "Investors"), pursuant to which we issued to the Investors an aggregate of 26,843 shares of our newly designated Series H-4 Convertible Preferred Stock, par value $0.0001 per share (the "Series H-4 Shares"), and warrants to purchase 447,383 shares of our Series H-4 Preferred Stock, with an exercise price of $15.60 per share, subject to adjustments (the "Warrants"). The purchase price per Series H-4 Share and warrant was $235.50, equal to (i) the closing price of the Common Stock on the Nasdaq Capital Market on March 7, 2018, plus $0.125 multiplied by (ii) 100. The aggregate purchase price for the Series H-4 Shares and Warrants was approximately $6.0 million. Subject to certain ownership limitations, the Warrants will be immediately exercisable from the issuance date and will be exercisable for a period of five years from the issuance date. The Series H-4 Shares are convertible into 447,383 shares of Common Stock.

On March 8, 2018, we filed the Certificate of Designations, Preferences and Rights of the Series H-4 Convertible Preferred Stock (the "Certificate of Designation") with the Secretary of State of the State of Delaware, establishing and designating the rights, powers and preferences of the Series H-4 Convertible Preferred Stock (the "Series H-4 Stock"). We designated up to 30,000 shares of Series H-4 Stock and each share has a stated value of $235.50 (the "Stated Value"). Each share of Series H-4 Stock is convertible at any time at the option of the holder thereof, into a number of shares of Common Stock determined by dividing the Stated Value by the initial conversion price of $14.15 per share, subject to a 9.99% blocker provision. The Series H-4 Stock has the same dividend rights as the Common Stock, and no voting rights except as provided for in the Certificate of Designation or as otherwise required by law. In the event of any liquidation or dissolution of the Company, the Series H-4 Stock ranks senior to the Common Stock in the distribution of assets, to the extent legally available for distribution.

On September 5, 2018, we received a request from The Nasdaq Stock Market ("Nasdaq") to amend the Certificate of Designation to provide that the Series H-4 Shares may not be converted into shares of Common Stock until we have obtained stockholder approval of the issuance of the Common Stock underlying the Series H-4 Shares pursuant to the applicable rules and regulations of Nasdaq. In response to the request, on September 10, 2018, we filed a Certificate of Amendment (the "COD Amendment") to the Certificate of Designation to provide for stockholder approval as described above prior to the conversion of the Series H-4 Shares.

Warrants

On April 19, 2018, we entered into separate Warrant Exchange Agreements (the “Exchange Agreements”) with the holders (the “Merger Warrant Holders”) of existing merger warrants (the “Merger Warrants”) to purchase shares of Common Stock, pursuant to which, on the closing date, the Merger Warrant Holders exchanged each Merger Warrant for 1/18 of a share of Common Stock and 1/12 of a warrant to purchase a share of Common Stock (collectively, the “Series I Warrants”). The Series I Warrants have an exercise price of $13.80 per share. In connection with the Exchange Agreements, we issued an aggregate of (i) 48,786 new shares of common stock and (ii) Series I Warrants to purchase an aggregate of 73,178 shares of common stock.

On August 31, 2018, we offered (the “Repricing Offer Letter”) to the holders (the “Holders”) of our outstanding Series H-4 Warrants to purchase common stock issued on March 8, 2018 (the “Series H-4 Warrants”) the opportunity to exercise such Series H-4 Warrants for cash at a reduced exercise price of $3.60 per share (the “Reduced Exercise Price”) provided such Series H-4 Warrants were exercised for cash on or before September 4, 2018 (the “End Date”). In addition, we issued a “reload” warrant (the “Series J Warrants”) to each Holder who exercised their Series H-4 Warrants prior to the End Date, covering one share for each Series H-4 Warrant exercised during that period. The terms of the Series J Warrants are substantially identical to the terms of the Series H-4 Warrants except that (i) the exercise price is equal to $6.00, (ii) the Series J Warrants may be exercised at all times beginning on the 6-month anniversary of the issuance date on a cash basis and also on a cashless basis, (iii) the Series J Warrants do not contain any provisions for anti-dilution adjustment and (iv) we have the right to require the Holders to exercise all or any portion of the Series J Warrants still unexercised for a cash exercise if the VWAP (as defined in the Series J Warrant) for our common stock equals or exceeds $9.00 for not less than ten consecutive trading days.

On September 4, 2018, we received executed Repricing Offer Letters from a majority of the Holders, which resulted in the issuance of 260,116 shares of our common stock and Series J Warrants to purchase up to 260,116 shares of our common stock. We received gross proceeds of approximately $936,000 from the exercise of the Series H-4 Warrants pursuant to the terms of the Repricing Offer Letter.

On September 5, 2018, we received a request from Nasdaq to amend our Series H-4 Warrants to provide that the Series H-4 Warrants may not be exercised until we have obtained stockholder approval of the issuance of Common Stock underlying the Series H-4 Warrants pursuant to the applicable rules and regulations of Nasdaq. In response to the request, on September 10, 2018, we entered into an amendment (the “Warrant Amendment”) with the holders of the Series H-4 Stock to provide for stockholder approval as described above prior to the exercise of the Series H-4 Warrants.

Overview

DropCar Operating

DropCar Operating provides automotive vehicle support, fleet logistics, and concierge services for both consumers and the automotive industry. Our cloud-based Enterprise Vehicle Assistance and Logistics (“VAL”) platform and mobile application (“app”) assists consumers and automotive-related companies reduce the costs, hassles and inefficiencies of owning a car, or fleet of cars, in urban centers. In July 2018, we launched our Mobility Cloud platform which provides automotive-related businesses with a 100% self-serve SaaS version of its VAL platform to manage their own operations and drivers, as well as customer relationship management (“CRM”) tools that enable their clients to schedule and track their vehicles for service pickup and delivery. Our Mobility Cloud also provides access to private APIs (application programming interface) which automotive-businesses can use to integrate our logistics and field support directly into their own applications and processes natively, to create more seamless client experiences.

On the enterprise side, OEMs, dealers, and other service providers in the automotive space are increasingly being challenged with consumers who have limited time to bring in their vehicles for maintenance and service, making it difficult to retain valuable post-sale service contracts or scheduled consumer maintenance and service appointments. Additionally, many of the vehicle support centers for automotive providers (i.e., dealerships, including body work and diagnostic shops) have moved out of urban areas thus making it more challenging for OEMs and dealers in urban areas to provide convenient and efficient service for their consumer and business clientele. Similarly, shared mobility providers and other fleet managers, such as rental car companies and car share programs, face a similar urban mobility challenge: getting cars to and from service bays, rebalancing vehicle availability to meet demand and in-fleeting and de-fleeting vehicles to and from dealer lots, auction sites and other locations.

While our business-to-business ("B2B") and business-to-consumer ("B2C") services generate revenue and help meet the unmet demand for vehicle support services, we are also building-out a platform and customer base that positions us well for developments in the automotive space when vehicles become partially to fully autonomous and vehicle ownership becomes more subscription based with transportation services and concierge options well-suited to match a customer's immediate needs. For example, certain car manufacturers are testing new services in which customers pay the manufacturer a flat fee per month to drive a number of different models for any length of time.

The Company operates primarily in the New York metropolitan area. In May 2018, the Company expanded operations with its B2B business in San Francisco. In June 2018, the Company expanded its B2B operations in Washington DC. In August 2018, the Company expanded B2B operations to Los Angeles. The three new market expansions are with a major original equipment manufacturer ("OEM") customer.

Results of Operations

We have never been profitable and have incurred operating losses in each year since inception. Net losses for nine months ended September 30, 2018 and 2017 were approximately $11.8 million and $5.1 million, respectively. Substantially all of our operating losses resulted from expenses incurred in connection with our valet workforce, parking and technology development programs and from general and administrative costs associated with our operations. During the third quarter of 2018, we took significant steps to reduce our cost of goods sold on the consumer side of the business. These efforts have generated significant costs savings which will start to appear in our fourth quarter results. We are focusing on achieving a positive gross margin on the DropCar Operating segment of the business and growing the overall revenue to a point of overall profitability in the long term. As of September 30, 2018, we had net working capital of approximately $1.5 million. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years as we continue the development of our comprehensive Vehicle Support Platform across business-to-consumer and business-to-business clientele. Accordingly, we will continue to require substantial additional capital to continue our commercialization activities. The amount and timing of our future funding requirements will depend on many factors, including the timing and results of our commercialization efforts.

Components of Statements of Operations

Services Revenue

We generate revenue from on-demand vehicle pick-up, parking and delivery services, providing automobile maintenance, care and refueling services, and through our business-to-business fleet management services, and from infrastructure contracting services.

Cost of Revenue

Cost of services consists of the aggregate costs incurred in delivering the services to our customers, including, expenses for personnel costs, parking lot costs, technology hosting and third-party licensing costs, vehicle repair and damage costs, insurance, merchant processor fees, uniforms, customer and transportation expenses associated with providing a service.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of technology, sales and marketing and general and administrative expenses.

Technology. Technology expenses consist primarily of labor-related costs incurred in coding, testing, maintaining and modifying our technology platform. We have focused our technology development efforts on both improving ease of use and functionality of our reservation, back-end system and mobile (i.e., iOS, Android) applications. We expect technology expenses to increase as we continue to enhance and expand our technological capabilities but to decrease over time as a percentage of revenue as we leverage our technology platform over a larger membership base. We anticipate increasing investment in research and development, notably with respect to integrating our services into vehicles natively, machine learning based process automation and virtual assistance.

Sales and Marketing. Sales and marketing expenses consist primarily of labor-related costs, online search and advertising, trade shows, marketing agency fees, public relations, physical mailers, and other promotional expenses. Online search and advertising costs, which are expensed as incurred, include online advertising media such as banner ads and pay-per-click payments to search engines. We expect to continue to invest in sales and marketing activities to increase our membership base and brand awareness. We expect that sales and marketing expenses will continue to increase in the future but decrease as a percentage of revenue as certain fixed costs are leveraged over a larger revenue base.

General and Administrative. General and administrative expenses consist primarily of labor-related expenses for administrative, human resources, internal information technology support, legal, finance and accounting personnel, professional fees, training costs, insurance and other corporate expenses. We expect that general and administrative expenses will increase as we continue to add personnel to support the growth of our business. In addition, we anticipate that we will incur additional personnel expenses, professional service fees, including audit and legal, investor relations, costs of compliance with securities laws and regulations, and higher director and officer insurance costs related to operating as a public company. As a result, we expect that our general and administrative expenses will continue to increase in the future but decrease as a percentage of revenue over time as our membership base and related revenue increases.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses and related disclosures. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements and, therefore, we consider these to be our critical accounting policies. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions. See Note 2 to our financial statements for the nine months ended September 30, 2018 and 2017 for information about these critical accounting policies, as well as a description of our other significant accounting policies.

Our interim consolidated financial statements should be read in conjunction with the audited financial statements included in our Current Report on Form 8-K/A filed with the SEC on April 2, 2018, which includes a description of our critical accounting policies that involve subjective and complex judgments that could potentially affect reported results.

Accounts receivable

Accounts receivable are carried at original invoice amount less an estimate made for holdbacks and doubtful receivables based on a review of all outstanding amounts. We determine the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions and set up an allowance for doubtful accounts when collection is uncertain. Customers' accounts are written off when all attempts to collect have been exhausted. Recoveries of accounts receivable previously written off are recorded as income when received. For Dropcar Operating, at September 30, 2018 and December 31, 2017, the accounts receivable reserve was approximately $17,000 and $42,000, respectively.

Capitalized software

Costs related to website and internal-use software development are accounted for in accordance with Accounting Standards Codification ("ASC") Topic 350-50 — Intangibles — Website Development Costs. Such software is primarily related to our websites and mobile apps, including support systems. We begin to capitalize our costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, it is probable that the project will be completed, and the software will be used as intended. Costs incurred prior to meeting these criteria are expensed as incurred and recorded within General and administrative expenses within the accompanying statements of operations. Costs incurred for enhancements that are expected to result in additional features or functionality are capitalized. Capitalized costs are amortized over the estimated useful life of the enhancements, generally between two and three years.

We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future undiscounted net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Revenue Recognition

The FASB issued ASU No. 2014-09, codified as ASC 606: Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company adopted ASC 606 effective January 1, 2018 using modified retrospective basis and the cumulative effect was immaterial to the financial statements.

Revenue from contracts with customers is recognized when, or as, we satisfy our performance obligations by transferring the promised goods or services to the customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring our progress in satisfying the performance obligation in a manner that depicts the transfer of the goods or services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that we determine the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those promised goods or services (i.e., the "transaction price"). In determining the transaction price, we consider multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, we consider the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of our influence, such as the judgment and actions of third parties.

DropCar Operating

DropCar Operating offers a selection of subscriptions and on-demand services which include parking, valet, and access to other services. The contract terms are on a month-to-month subscription contract with fixed monthly or contract term fees. These subscription services include a fixed number of round-trip deliveries of the customer's vehicle to a designated location. The Company allocates the purchase price among the performance obligations which results in deferring revenue until the service is utilized or the service period has expired. In July 2018, DropCar Operating began assessing demand for a Self-Park Spaces monthly parking plan whereby consumers could designate specific garages for their vehicles to be stored at a base monthly rate, with personal 24/7 access for picking up and returning their vehicle directly, and the option to pay a la carte on a per hour basis for a driver to perform functions such as picking up and returning the vehicle to their front door. This model aligns more directly with how the Company has structured the enterprise B2B side of its business, where an interaction with a vehicle on behalf of its drivers typically generates net new revenue. The DropCar Operating consumer Self-Park Spaces plan combined with its on-demand hourly valet service are the only consumer plans offered from September 1, 2018 onwards. Subscriber plans prior to this date continued to receive service on a prorated basis through the end of August 2018. Additionally, the Company is scaling back its 360 Services for the Consumer portion of the market. As a result of this shift, in August 2018, the Company began to significantly streamline its field teams, operations and back office support tied to its pre-September 1, 2018 consumer subscription plans.

On Demand Valet and Parking Services

DropCar Operating offers to consumers certain on demand services through its mobile application. The customer is billed at an hourly rate upon completion of the services. Revenue is recognized when the Company had satisfied all performance obligations which is upon completion of the service.

DropCar 360 Services

DropCar Operating offers to consumers certain services upon request including vehicle inspection, maintenance, car washes or to fill up with gas. The customers are charged a fee in addition to the cost of the third-party services provided. Revenue is recognized when the Company had satisfied all performance obligations which is upon completion of the service.

On Demand Business-To-Business

DropCar Operating also has contracts with car dealerships, car share programs and others in the automotive industry transporting vehicles. Revenue is recognized at the point in time all performance obligations are satisfied which is when the Company provides the delivery service of the vehicles.

Sales and marketing

Sales and marketing costs are expensed as incurred.

Stock-based compensation

We account for all stock options using a fair value-based method. The fair value of each stock option granted to employees is estimated on the date of the grant using the Black-Scholes option-pricing model and the related stock-based compensation expense is recognized over the vesting period during which an employee is required to provide service in exchange for the award. The fair value of the options granted to non-employees is measured and expensed as the options vest.

On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and stock-based compensation. We based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates.

Results of Operations

Service Revenues

Net services revenues during the three months ended September 30, 2018 totaled $1.4 million, an increase of $0.1 million, or 9%, compared to $1.3 million recorded for the three months ended September 30, 2017. The increase was primarily due to our continued efforts to increase monthly consumer subscriptions. Revenue has increased as a result of marketing and promotion campaigns, word-of-mouth referrals, and adding coverage in the additional markets of Los Angeles, San Francisco and Washington D.C.

Cost of Revenue

Cost of services during the three months ended September 30, 2018 totaled $1.8 million, an increase of approximately $0.4 million, or 25%, compared to $1.4 million recorded for the three months ended September 30, 2017. The increase was primarily attributable to increases of $0.2 million in wages and related costs, $0.1 million in parking garage fees, and $0.1 million in repairs and damages. During the quarter, the Company significantly reduced its costs on the consumer services side. These cost actions should start to improve the gross margin in the fourth quarter of the year.

Research and development costs, net

Research and development costs during the three months ended September 30, 2018 totaled $0.06 million, an increase of $0.06 million, or 100%, compared to zero recorded for the three months ended September, 2017. The increase was primarily attributable to increases in consulting services and information technology security.

Selling, General and Administrative

Selling, general and administrative expenses during the three months ended September 30, 2018 totaled $2.7 million, an increase of $0.4 million, or 17%, compared to $2.3 million recorded for the three months ended September 30, 2017. This was primarily attributable to an increase of $0.8 million in stock based compensation for wages and related, and $0.2 million in other, offset by a decrease of $0.3 million in cash wages and related, and $0.3 in professional consulting.

Depreciation and amortization

Depreciation and amortization during the three months ended September 30, 2018 totaled $94 thousand, an increase of $48 thousand, or 104%, compared to $46 thousand recorded for the three months ended September 30, 2017. This increase was primarily attributable to our increased capitalization of software costs related to our software platform.

Interest expense, net

Interest expense, net during the three months ended September 30, 2018 was de minimus, a decrease of $0.4 million or 100% compared to the $0.4 million recorded for the three months ended September 30, 2017. This decrease is a result of the outstanding convertible notes being converted into equity upon the Reverse Merger. There were no outstanding convertible notes as of September 30, 2018.

Comparison of Nine Months Ended September 30, 2018 and 2017

Service Revenues

Net services revenues during the nine months ended September 30, 2018 totaled $5.0 million, an increase of approximately $2.2 million, or 77%, compared to $2.8 million recorded for the nine months ended September 30, 2017. The increase was primarily due to our continued efforts to increase monthly consumer subscriptions. Revenue has increased as a result of marketing and promotion campaigns, word-of-mouth referrals, and adding coverage in the additional markets of Los Angeles, San Francisco and Washington D.C.

Cost of Revenue

Cost of services during the nine months ended September 30, 2018 totaled $6.6 million, an increase of $3.7 million, or 128%, compared to $2.9 million recorded for the nine months ended September 30, 2017. The increase was primarily attributable to increases of $2.7 million in wages and related cost, $0.4 million in parking garage fees, $0.3 million in repairs and damages, $0.1 million in insurance, and $0.2 million in other costs.

Research and development costs, net

Research and development costs during the nine months ended September 30, 2018 totaled $0.2 million, an increase of $0.2 million, or 100%, compared to zero recorded for the nine months ended September, 2017. The increase was primarily attributable to increases in consulting services and information technology security.

Selling, General and Administrative

Selling, general and administrative expenses during the nine months ended September 30, 2018 totaled $8.9 million, an increase of $4.8 million, or 114%, compared to $4.2 million recorded for the nine months ended September 30, 2017. This was primarily attributable to an increase of $0.6 million in cash wages and related, $2.4 million in stock based compensation for wages and related of which $0.3 million was related to 21,371 shares of common stock issued to Alpha Capital Anstalt and Palladium Capital Advisors for advisory services, $0.2 million in professional and consulting, $0.2 in insurance, and $1.3 million in other costs.

Depreciation and amortization

Depreciation and amortization during the nine months ended September 30, 2018 totaled $0.2 million, an increase of $0.1 million, or 89%, compared to $0.1 million recorded for the nine months ended September 30, 2017. This increase was primarily attributable to our increased capitalization of software costs related to our software platform.

Interest expense, net

Interest expense, net during the nine months ended September 30, 2018 totaled $1.1 million, an increase of $0.4 million, or 52% compared to the $0.7 million recorded for the nine months ended September 30, 2017. This increase was primarily attributable to $0.7 million of interest expense recorded in relation to the lock-up agreements entered into with the holders of the convertible notes that were issued in 2017 pursuant to which they agreed not to sell the 85,573 shares of common stock received in the Reverse Merger, and interest expense recorded on the outstanding convertible notes issued in 2017 and the related amortization of the debt discount and deferred financing costs. There were no outstanding convertible notes as of September 30, 2018.

Liquidity and Capital Resources

Since our inception in September 12, 2014, we have incurred net losses and negative cash flows from operations. For the nine months ended September 30, 2018 and 2017, we had net losses from continuing operations of approximately $11.8 million and $5.1 million, respectively. At September 30, 2018, we had an accumulated deficit of $22.7 million. At September 30, 2018, we had cash of $0.9 million. As discussed above, on March 8, 2018, we entered into the Securities Purchase Agreement with the Investors, pursuant to which we issued to the Investors an aggregate of 26,843 shares of our newly designated Series H-4 Convertible Preferred Stock and warrants to purchase 447,383 shares of our common stock (the “Private Placement”). We received proceeds of approximately $6.0 million in connection with the Private Placement.

On January 18, 2018, we sold 10,057 shares of common stock for proceeds of $300,000 to Alpha Capital.

On September 4, 2018, we issued 260,116 shares of common stock upon the exercise of 260,116 series H-4 warrant for proceeds of approximately $936,000.

We have limited operating history and the sales and income potential of our business and market is unproven. As of September 30, 2018, we had an accumulated deficit of $22.7 million and have experienced net losses each year since our inception. We anticipate that we will continue to incur net losses into the foreseeable future and will need to raise additional capital to continue. Our cash is sufficient to fund our operations into the first quarter of 2019. These factors raise substantial doubt about our ability to continue as a going concern for the twelve months following the date of the filing of this Form 10-Q.

Our plans include raising funds from outside investors reduce annual operating and corporate over expenses, and through the potential sale of our subsidiary, WPCS International Suisan City, Inc. However, there is no assurance that outside funding will be available to us, outside funding will be obtained on favorable terms or will provide us with sufficient capital to meet our objectives. Our financial statements do not include any adjustments relating to the recoverability and classification of assets, carrying amounts or the amount and classification of liabilities that may be required should we be unable to continue as a going concern. Upon the potential sale of our subsidiary, WPCS, and in the event the transaction is consummated under its anticipated current terms, we would record a material impairment charge to our intangible assets and goodwill.

Our future capital requirements and the period for which we expect our existing resources to support our operations may vary significantly from what we currently expect. Our monthly spending levels vary based on new and ongoing technology developments and corporate activities. The Company's cash is sufficient to fund its operations into the first quarter of 2019.

We have historically financed our activities through the sale of our equity securities (including convertible preferred stock) and the issuance of convertible notes. We will need to raise significant additional capital and we plan to continue to fund our current operations, and the associated losses from operations, through future issuances of debt and/or equity securities and potential collaborations or strategic partnerships with other entities. The capital raises from issuances of convertible debt and equity securities could result in additional dilution to our stockholders. In addition, to the extent we determine to incur additional indebtedness, our incurrence of additional debt could result in debt service obligations and operating and financing covenants that would restrict our operations. We can provide no assurance that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are not able to secure adequate additional working capital when it becomes needed, we may be required to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or suspend or curtail operations. Any of these actions could materially harm our business.

Cash Flows

Operating Activities – Continuing Operations

We have historically experienced negative cash outflows as we have developed and expanded our business. Our primary source of cash flow from operating activities has been recurring subscription receipts from customers and, to a lesser extent, monthly invoice payments from business-to-business customers. Our primary uses of cash from operating activities are the recruiting, training, equipping and growing our workforce to meet market demand, securing infrastructure for operating activities such as garage parking spaces, technology investment to grow our platform, as well as to support other operational expenses while we aggressively expand.

Net cash used in operating activities for the nine months ended September 30, 2018 was approximately $9.1 million, which includes a net loss of approximately $12.2 million, offset by non-cash expenses of approximately $3.6 million principally related stock-based compensation expense of $2.4 million and non-cash interest expense of $0.7 million, and depreciation and amortization of approximately $0.3 million, and approximately $0.5 million of cash used from a change in net working capital items principally related to the increase of $0.3 million of prepaid expenses and other assets and $0.1 million of accounts payable and accrued expenses, and to the decrease of $0.2 million of deferred income.

Net cash used in operating activities for the nine months ended September 30, 2017 was approximately $3.0 million, which includes a net loss of approximately $5.1 million, offset by non-cash expenses of approximately $1.5 million principally related to stock based compensation and amortization of debt discount, approximately $0.6 million of cash provided from a change in net working capital items principally related to the increase in accounts payable, accrued interest and deferred income of $0.8 million, offset by an increase of accounts receivable and prepaid expenses of approximately $0.2 million.

Investing Activities – Continuing Operations

Cash used in investing activities for the nine months ended September 30, 2018 of approximately $0.4 million primarily resulted from the capitalization of software costs and the purchase of property and equipment.

Cash used in investing activities during the nine months ended September 30, 2017 of approximately $0.3 million primarily resulted from capitalization of software costs.

Financing Activities– Continuing Operations

Cash provided by financing activities for the nine months ended September 30, 2018 of approximately $7.1 million primarily resulted from proceeds of $6.0 million for the sale of the Series H-4 Shares and warrants, $0.9 million from the issuance of common stock in connection with exercise of Series H-4 warrants, and $0.3 million for the sale of common stock, offset by financing costs related to the Series H-4 Shares and warrants of approximately $0.1 million.

Cash provided by financing activities for the nine months ended September 30, 2017 totaled approximately $3.3 million primarily resulted from proceeds of $3.3 million from the issuance of convertible notes and warrants and $0.2 million from the issuance of preferred stock and subscription receivable, offset by offering costs of $0.3 million.

Off-Balance Sheet Arrangements

We did not engage in any "off-balance sheet arrangements" (as that term is defined in Item 303(a)(4)(ii) of Regulation S-K) as of September 30, 2018.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable to a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, our principal executive officer and principal financial officer, respectively, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are not effective due to the material weaknesses resulting from a limited segregation of duties among our employees with respect to our control activities and this deficiency is the result of our limited number of employees and our financial closing process. These deficiencies may affect management's ability to determine if errors or inappropriate actions have taken place. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible changes in our disclosure controls and procedures.

Management continues to evaluate potential areas for improvement in the Company's disclosure controls and procedures and has implemented certain measures including additional cash controls, dual-signature procedures, and other review and approval processes by the Company's management team. The Company intends to hire additional personnel to allow for improved financial reporting controls and segregation of duties when the Company's operations and revenues have grown to the point of warranting such controls.

Changes in Internal Controls over Financial Reporting

On January 30, 2018, we completed a reverse merger with WPCS International Incorporated and our management is in the process of evaluating any related changes to our internal control over financial reporting as a result of this integration. Except for any changes relating to this integration, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 1. Legal Proceedings.

DropCar

Our DropCar business is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business that we believe are incidental to the operation of our business. While the outcome of these claims cannot be predicted with certainty, our management does not believe that the outcome of any of these legal matters will have a material adverse effect on our consolidated results of operations, financial positions or cash flows.

In February 2018, we were served an Amended Summons and Complaint in the Supreme Court of the City of New York, Bronx county originally served solely on an individual, a former customer, for injuries sustained by plaintiffs alleging such injuries were caused by either the customer, a DropCar valet operating the customer's vehicle, or an unknown driver operating customer's vehicle. DropCar to date has cooperated with the NYC Police Department and no charges have been brought against any employee of DropCar. DropCar has referred the matter to its insurance carrier.

On February 9, 2016, a DropCar employee was transporting a customer's vehicle when the vehicle caught fire. On November 22, 2016, Metropolitan Group Property and Casualty Insurance Company (as subrogee of the vehicle's owner) filed for indemnification and subrogation against DropCar in the Supreme Court of the State of New York County of New York, Index No. 159816/2016. The case name is Metropolitan Group Property and Casualty Insurance Company, as subrogee of Scott Sherry v. Mercedes-Benz Manhattan and DropCar, Inc. Our management believes that we are not responsible for the damage caused by the vehicle fire and that the fire was not due to any negligence on the part of the DropCar and that DropCar has sufficient insurance coverage to pay for any potential losses arising from this proceeding, including the cost of litigating same.

Item 1A. Risk Factors.

An investment in shares of our common stock is highly speculative and involves a high degree of risk. We face a variety of risks that may affect our operations and financial results and many of those risks are driven by factors that we cannot control or predict. Before investing in our common stock, you should carefully consider the following risks, together with the financial and other information contained in this report. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially adversely affected. In that case, the trading price of our common stock would likely decline, and you may lose all or a part of your investment. Only those investors who can bear the risk of loss of their entire investment should invest in our common stock.

There have been no material changes, other than those described below, to our risk factors contained in our Current Report on Form 8-K/A filed with the SEC on April 2, 2018. For a further discussion of our Risk Factors, refer to the "Risk Factors" discussion contained in such Current Report on Form 8-K/A.

Historically, a majority of our DropCar Operating segment revenue has come from our B2C business that we are significantly altering effective as of September 1, 2018. Failure to generate sufficient revenue from our newly altered B2C business or from our existing B2B business may have a material adverse impact on our business, financial condition, results of operations and cash flows, including our ability to continue to operate.

As further discussed elsewhere in this Quarterly Report on Form 10-Q, in July 2018, we began assessing demand for a Self-Park Spaces monthly parking plan in our B2C business. This model aligns more directly with how we have structured the enterprise B2B side of our business. We have decided that the Self-Park Spaces plan will be the only consumer parking plan that we will offer consumers after September 1, 2018. As a result of this shift, in August 2018, we began to significantly streamline our field teams, operations and back office support tied to our pre-September 1, 2018 consumer subscription plans. If we are unsuccessful in maintaining and growing our subscription revenue under our newly structured B2C business, our business, financial position, results of operations, and cash flows may be adversely affected.

We currently depend on corporate clients and the B2B market for a significant portion of our revenue and expect to depend on such clients for a significantly greater portion of our revenue in the future. The success of this strategy will depend on our ability to maintain existing B2B partners, obtain new B2B partners, and generate a community of participating corporate clients sufficiently large to support such a model. We may not be successful in establishing such partnerships on terms that are commercially favorable, if at all, and may encounter financial and logistical difficulties associated with sustaining such partnerships. If we are unsuccessful in establishing or maintaining our B2B model, our business, financial position, results of operations, and cash flows may be adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Other than as set forth below, there have been no other unregistered sales of equity securities during the three months ended September 30, 2018.

In connection with the Repricing Offer Letter described above under Note 8 – *Exercise of Series H-4 Warrants and Issuance of Series J Warrants*, on September 4, 2018, the Company issued Series J Warrants to purchase up to 260,116 shares of common stock.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On November 14, 2018, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") by and between the Company and an existing investor (the "Purchaser"), pursuant to which the Company agreed to issue to the Purchaser, in a registered direct offering (the "Offering"), Pre-Funded Series K Warrants (the "Pre-Funded Series K Warrants") to purchase an aggregate of 277,778 shares of Common Stock (the "Warrant Shares"). The price to the Purchaser for each Pre-Funded Series K Warrant was $3.54. The Pre-Funded Series K Warrants are immediately exercisable at a price of $0.06 per share of Common Stock.

The net proceeds to the Company from the Offering, after deducting the Company's estimated offering expenses, is expected to be approximately $983,333.

The Pre-Funded Series K Warrants and the Warrant Shares are being offered by the Company pursuant to a registration statement on Form S-3 (File No. 333-227858), which was initially filed with the Securities and Exchange Commission (the "Commission") on October 16, 2018 and was declared effective by the Commission on November 9, 2018 (the "Registration Statement"). A related prospectus supplement dated November 14, 2018 and the accompanying prospectus dated November 9, 2018 will be filed with the Securities and Exchange Commission (the "SEC") in connection with the Offering.

The foregoing is only a summary of the material terms of the documents related to the Offering. The foregoing descriptions of the Purchase Agreement and the Pre-Funded Series K Warrant are qualified in their entirety by reference to each of the forms of Purchase Agreement and Pre-Funded Series K Warrant, which are filed as Exhibits 10.2 and 4.4, respectively, to this Quarterly Report on Form 10-Q, which are incorporated herein by reference. A copy of the opinion of Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C., relating to the legality of the issuance in the Offering is attached hereto as Exhibit 5.1.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Certificate of Amendment to Certificate of Designations, Preferences and Rights of the Series H-4 Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 of the Form 8-K filed on September 10, 2018.
4.1	Form of Series J Warrant, incorporated by reference to Exhibit 4.1 of the Form 8-K filed on September 4, 2018.
4.2	Form of Series J Warrant, as amended, incorporated by reference to Exhibit 4.1 of the Form 8-K filed on September 10, 2018.
4.3	Form of Warrant Amendment to Series H-4 Warrant to Purchase Common Stock, incorporated by reference to Exhibit 4.2 of the Form 8-K filed on September 10, 2018.
4.4	Form of Pre-Funded Series K Warrant
5.1	Opinion of Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C.
10.1	Form of Repricing Offer Letter, incorporated by reference to Exhibit 10.1 of the Form 8-K filed on September 4, 2018.
10.2	Form of Securities Purchase Agreement, dated as of November 14, 2018, by and between the COmpany and the purchaser party thereto.
31.1*	Certification of the President and Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial information from this Quarterly Report on Form 10-Q for the period ended September 30, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Operations; (ii) the Consolidated Balance Sheets; (iii) the Consolidated Statements of Cash Flows; and (iv) the Notes to Consolidated Financial Statements, tagged as blocks of text.

* Filed herewith.

SIGNATURES

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

		DropCar, Inc.
Date: June 26, 2019	By:	/s/ Spencer Richardson Spencer Richardson Chief Executive Officer (Principal Executive Officer)
Date: June 26, 2019	By:	/s/ Mark Corrao Mark Corrao Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

**CERTIFICATION
OF
SPENCER RICHARDSON
CHIEF EXECUTIVE OFFICER
OF
DROPCAR, INC.**

I, Spencer Richardson, Chief Executive Officer of DropCar, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of DropCar, Inc.;

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

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

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

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

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

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

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter 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:

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: June 26, 2019

/s/ *Spencer Richardson*
Spencer Richardson
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
OF
MARK CORRAO
CHIEF FINANCIAL OFFICER
OF
DROPCAR, INC.

I, Mark Corrao, Chief Financial Officer of DropCar, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of DropCar, Inc.;

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

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

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

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

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

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

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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:

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: June 26, 2019

/s/ *Mark Corrao*
Mark Corrao
Chief Financial Officer

Exhibit 32.1

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 Quarterly Report of DropCar, Inc. (the "Company") on Form 10-Q/A for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Spencer Richardson, Chief Executive Officer of the Company, state and certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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: June 26, 2019

/s/ *Spencer Richardson*
Spencer Richardson
Chief Executive Officer

Exhibit 32.2

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 Quarterly Report of DropCar, Inc. (the "Company") on Form 10-Q/A for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Corrao, Chief Financial Officer of the Company, state and certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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: June 26, 2019

/s/ *Mark Corrao*
Mark Corrao
Chief Financial Officer